

Plan Estratégico de Juárez, A.C.

Independent Auditors' Report and Financial Statements for 2017 and 2016

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Plan Estratégico de Juárez, A.C.

Financial Statements for the Years
Ended December 31, 2017 and
2016, and Independent Auditors'
Report Dated May 18, 2018



Independent Auditors' Report and Financial Statements for 2017 and 2016

Independent Auditors' Report to the General Board of Plan Estratégico de Juárez, A.C.

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Basis for Opinion

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

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

Other Matters

The additional unaudited information included in Note 12, to the financial statements prepared under the responsibility of the administration of the Association, is presented for statistical and narrative analysis considered indispensable.

As mentioned in Note 1 to the accompanying financial statements, the Association is a non-profit entity authorized by the Mexican Tax Authorities (Secretaría de Hacienda y Crédito Público (SHCP) by its acronym in Spanish) to receive authorized deductible donations.

The financial statements of the Plan Estratégico de Juárez, A.C. as of and for the year ended December 31, 2016 were audited by other auditors who expressed an unqualified opinion on these financial statements on May 22, 2017.



Independent Auditors' Report to the General Board of Plan Estratégico de Juárez, A.C.

Opinion

We have audited the accompanying financial statements of Plan Estratégico de Juárez, A.C. (the "Association"), which comprise the balance sheet as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Plan Estratégico de Juárez, A.C. as of December 31, 2017, and its activities performance and its cash flows for the year then ended in accordance with Mexican Financial Reporting Standards (MFRS), applicable to associations with non-profit purposes.

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

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

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The additional unaudited information included in Note 12, to the financial statements prepared under the responsibility of the administration of the Association, is presented for statistical and narrative analysis considered indispensable.

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The financial statements of the Plan Estratégico de Juárez, A.C. as of and for the year ended December 31, 2016 were audited by other auditors who expressed an unqualified opinion on these financial statements on May 22, 2017.



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

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

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

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

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatements of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.



Balance Sheets

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Plan Estratégico de Juárez, A.C.

Balance Sheets

As of December 31, 2017 and 2016

(In Mexican pesos)

	2017	2016
Assets:		
Current assets:		
Cash	\$ 2,750,935	\$ 4,562,524
Total current assets	2,750,935	4,562,524
Furniture and equipment – net	406,311	444,561
Other assets	13,760	16,094
Total	\$ 3,171,006	\$ 5,023,179
Liabilities and Partners' assets		
Current liabilities:		
Salaries and relative taxes payable	\$ 225,137	\$ 229,451
Other accounts payable	9,759	66,199
Income tax payable	22,461	24,626
Total liabilities	257,357	320,276
Commitments and contingencies (Note 7 and 8)	2,913,649	4,702,903
Partners' assets:		
Unrestricted	2,717,263	3,999,145
Restricted temporarily	196,386	703,758
Total partners' assets	2,913,649	4,702,903
Total	\$ 3,171,006	\$ 5,023,179

See accompanying notes to financial statements.



Plan Estratégico de Juárez, A.C.

Statements of Activities

For the years ended December 31, 2017 and 2016

(In Mexican pesos)

	2017	2016
Operating activities:		
Revenues:		
Contributions received	\$ 6,943,233	\$ 8,631,503
Other income	36,431	
Exchange gain	373,202	630,299
Interest income	9,856	3,133
Other products	2,315	
Total revenues	7,365,037	9,264,935
Expenses:		
General and administrative expenses	8,692,431	8,055,045
Exchange loss	439,399	263,107
Income tax	22,461	24,626
Total expenses	9,154,291	8,342,778
Net changes in partners' assets	(1,789,254)	922,157
Partners' assets at the beginning of the year	4,702,903	3,780,746
Partners' assets at the end of the year	\$ 2,913,649	\$ 4,702,903

See accompanying notes to financial statements.



Plan Estratégico de Juárez, A.C.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(In Mexican pesos)

	2017	2016
Operating activities:		
Net changes in partners' assets	\$ (1,789,254)	\$ 922,157
Items related to investment activities:		
Depreciation	126,016	168,191
	(1,663,238)	1,090,348
(Increase) decrease in:		
Other assets	2,334	5,890
Increase (decrease) in:		
Salaries and other accounts payable	(4,314)	70,955
Other accounts payable	(56,440)	4,882
Income taxes paid	(2,165)	(10,569)
Net cash flows from operating activities	(1,723,823)	1,161,506
Investing activities:		
Purchase of furniture and equipment	(87,766)	(110,128)
(Decrease) increase in cash	(1,811,589)	1,051,378
Cash at the beginning of the year	4,562,524	3,511,146
Cash at the end of the year	\$ 2,750,935	\$ 4,562,524

See accompanying notes to financial statements.

Classification of costs and expenses - Costs and expenses comprising net income were classified according to a combination of both (function and nature), because this is the practice of the industry to which the Organization belongs.

	2017	2016
Salaries, benefits and relative taxes	\$ 4,592,707	\$ 4,302,986
Depreciation	126,016	168,191
Professional fees	1,989,629	1,615,409
Rent	594,653	565,349
Contributions made	1,500	1,557
Other costs and expenses	1,387,926	1,400,553
	\$ 8,692,431	\$ 8,055,045



Plan Estratégico de Juárez, A.C.

Notes to Financial Statements

For the years ended December 31, 2017 and 2016

(In Mexican pesos)

1. Activities

Plan Estratégico de Juárez, A. C. (the "Association" or "Plan Estratégico") was incorporated on May 17, 2001, principally to promote actions and projects favoring the standard of living in Ciudad Juárez, Chihuahua.

Plan Estratégico de Juárez, A. C., is a nonprofit organization authorized by the Secretaría de Hacienda y Crédito Público (SHCP) to receive tax deductible contributions and is exempt from federal income tax, except on income from the sale of shares, interest and prices in the terms of current tax provisions. On February 12, 2002, the Association was authorized by the SHCP to receive income-tax deductible contributions; that authorization has been renewed annually.

2. Basis of presentation

a. **Explanation for translation into English** - The accompanying financial statements have been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of Mexican Financial Reporting Standards ("MFRS"), which are comprised of accounting standards that are individually referred to as Normas de Información Financiera, or "NIFs"). Certain accounting practices applied by the Association that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

b. **Monetary unit of the financial statements** - The financial statements and notes as of December 31, 2017 and 2016 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2017 and 2016 were 9.87% and 10.52%, in each period. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying financial statements. Inflation rates for the years ended December 31, 2017 and 2016 were 6.77% and 3.36%, respectively.

c. **Classification of costs and expenses** - Costs and expenses comprising net income were classified according to a combination of both (function and nature), because this is the practice of the industry to which the Organization belongs.

	2017	2016
Salaries, benefits and relative taxes	\$ 4,592,707	\$ 4,302,986
Depreciation	126,016	168,191
Professional fees	1,989,629	1,615,409
Rent	594,653	566,349
Contributions made	1,500	1,557
Other costs and expenses	1,387,926	1,400,553
	<u>\$ 8,692,431</u>	<u>\$ 8,055,045</u>



3. Summary of significant accounting policies

The accompanying financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Association management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Entity are as follows:

- a. **Accounting changes** – As of January 1, 2017, the Association adopted the following new NIFs:

NIF B-16 *Financial statements with non-profit functions* - It incorporates a space of definitions applicable to entities for non-profit purposes; the classification of assets, liabilities and accounting equity is established based on the provisions of NIF A-5 and NIF A-7; congruent with the definition of income of NIF A-5, it is specified that the contributions received must be recognized as income; the main levels and classifications that must be presented in the activity status are defined; and the presentation of costs and expenses according to their nature is allowed.

- b. **Reclassifications** - Certain amounts in the financial statements as of and for the year ended December 31, 2016 have been reclassified to conform to the presentation of the 2017 financial statements.

- c. **Recognition of the effects of inflation** – Beginning on January 1, 2008, the Entity discontinued recognition of the effects of inflation in its financial statements. However, non-monetary assets and Partners' assets include the restatement effects recognized.

- d. **Cash** – Cash consists mainly of bank deposits in checking accounts. Cash is stated at nominal value; any fluctuations in value are recognized in comprehensive financing income of the year.

- e. **Furniture and equipment** - Furniture and equipment are recorded at acquisition cost. The balances arising from acquisitions made until December 31, 2007 were updated by applying factors derived from the National Index of Consumer Prices ("NCPI") until that date. Depreciation is calculated using the straight-line method based on the useful lives of the related assets, as follows:

Total unrestricted	Average Years	2,554,549	2,458,766
Furniture and equipment	10		
Computer equipment	3	196,386	703,758
Transportation equipment	4		

- f. **Impairment of long-lived assets in use** - The Association reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than those of previous years, competition and other legal and economic factors. The impairment loss on the value of long-lived assets in use, as well as its reversal, are classified in the same Statements of Activities line items where the related depreciation or amortization associated with those assets are recognized.

- g. **Provisions** - Provisions are recognized for current obligations that arise from a past event, that are probable to result in the use of economic resources, and that can be reasonably estimated.



h. **Employees' benefits** - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

i. **Direct employee benefits** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues.

ii. **Employee benefits for termination, retirement and others** - Seniority premiums and severance payments are recorded in the statement of activities as paid. The Association has not determined a provision for employee's benefits, however these provisions are not considered material due to the reduced number of employees and its seniority in the Association.

i. **Contributions revenue** - Contributions are recorded as increases in net assets when received in cash, cash equivalents or unconditional promises to give. Contributions in-kind and in services are recorded in the financial statements at fair value.

Contributions whose restrictions are extinguished in the same period are shown under unrestricted net assets; they are not shown as restricted and then reclassified. That treatment is consistent with the preceding period.

j. **Foreign currency transactions** - Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing income in the statements of activities.

4. Restricted cash

	2017	2016
Cash	\$ 2,913,440	\$ 4,703,000
Cash deposits	\$ 5,000	\$ 5,000
	<u>2,549,549</u>	<u>3,853,766</u>
Total unrestricted	<u>2,554,549</u>	<u>3,858,766</u>
Restricted cash	<u>196,386</u>	<u>703,758</u>
Total cash and cash equivalents	<u>\$ 2,750,935</u>	<u>\$ 4,562,524</u>

The restricted cash is due to the need to manage contributions to carry out the following program "Cultura de la legalidad de la Embajada".

5. Furniture and equipment

	December 31, 2017	December 31, 2016	Balance at the beginning of 2016
a) Investments:			
Furniture and equipment	\$ 980,523	\$ 980,523	\$ 970,840
Communication equipment	278,102	263,727	235,530
Computer equipment	903,105	829,714	757,466
Transportation equipment	<u>434,095</u>	<u>434,094</u>	<u>434,094</u>
	<u>2,595,824</u>	<u>2,508,058</u>	<u>2,397,930</u>

b)	The CIESAS undertakes to:		
	Accumulated depreciation:		
	Furniture and equipment	(820,924)	(787,038) (753,093)
	Communication equipment	(157,675)	(137,742) (120,970)
	Computer equipment	(796,497)	(731,961) (660,457)
	Transportation equipment	(414,417)	(406,756) (360,786)
		(2,189,513)	(2,063,497) (1,895,306)
		\$ 406,311	\$ 444,561 \$ 502,624

Depreciation recorded in the statement of activities for the years ended as of December 31, 2017 and 2016 amounts \$126,016 and \$168,191 respectively.

6. Partners' assets:

- a. The partners' assets of the Association is integrated by the contributions of the associates. As of December 31, it is integrated as follows:

	2017	2016
Unrestricted partners' assets	\$ 2,717,263	\$ 3,999,145
Temporary restricted partners' assets		
Set aside for the program "Cultura de la legalidad de la Embajada"	196,386	703,758
Total partners' assets	\$ 2,913,649	\$ 4,702,903

- b. In the event the Association is liquidated, its assets will be entirely turned over to entities authorized to receive contributions, in the terms of the applicable tax laws.

The partners' assets of the Association will be strictly affection to the fulfillment of the aims of the same one, and in case of its dissolution it will have to distribute to an Association or institution with similar object to this one, in agreement with the established in the "Ley del Impuesto Sobre la Renta" (LISR).

7. Commitments

The Association has signed a collaboration agreement with the Centro de Investigaciones en Antropología Social "El CIESAS", in which it is agreed that its purpose is mutual cooperation in the development of activities of each of the parties in order to develop actions for the training, strengthening and systematization of municipal democratic control initiatives in the state of Chihuahua, a program called "Coalición Pro Municipio", through coordination, technical assistance and accompaniment to recipients, as well as carrying out the systematization of their work complying with the objectives and activities of the Association and financed by El CIESAS. This through the granting of financial support to the Plan Estrategico for a total of \$550,000 (Five hundred fifty thousand pesos 00/100 m.n.) in 5 installments from August 2016 to June 2018.



1. The CIESAS undertakes to:

- a. Follow up on the implementation of the initiative established in the collaboration agreement and evaluate its results.
- b. Make the corresponding payments to finance the initiative.
- c. Organize activities to disseminate results according to those considered most relevant, in consultation with the Association.
- d. Coordinate and supervise the project in general.

2. Plan Estratégico commits to:

- a. Manage the funds assigned by the CIESAS and maintain an independent bank account, with the timely record of the corresponding expense vouchers for this project.
- b. Fulfill in time and form the implementation of the initiative.
- c. Present the deliverables established in the collaboration agreement.

Likewise, the Association has entered into an agreement of participation with the Department of State of the United States of North America, which aims to develop and complete programs with the purpose of strengthening and promoting the rule of law and the culture of legality in Ciudad Juárez, Chihuahua, program called "El Pacto". This is designed to increase citizen participation, transparency, defense and responsibility and seeks to empower citizens by providing the necessary tools to collaborate with local authorities and strengthen relationships between governments, local, state and federal this through financial support a Plan Estratégico for a total of USD \$500,000 (Five hundred thousand dollars 00/100 USD) from the month of June 2015 to May 2017.

1. Plan Estrategico commits to:

- a. Issue no more than 30 days after the end of each quarter according to calendar days, 4 quarterly reports on the progress of activities and exercise of resources.
- b. To issue a final report, once the program is finished, in which it specifies the analysis of the solution of problems, statistics, best practices, analysis of the problems related to the execution of the project, and conclusions related to sustainability of the project.
- c. Notify the State Department if any of the employees assigned to the project are working or going to work in any other project or program.
- d. Save the supporting documentation of the program carried out, for a minimum period of three years, since it could be subject to an audit by the government of the United States of North America.
- e. Request in writing if an extension of the program period is necessary, 30 calendar days before the end of the project validity, providing reasons that support the modification and revised budget of the project plan. In addition to this, the Association cannot make new commitments or incur additional expenses outside the amount authorized by the participation of the project, in anticipation of an amendment.



8. Contingencies

The Association, as well as its assets, are not subject to any legal action other than those that are routine and typical of their activity.

Although it is difficult to claim achievements in these areas, as explained below, following are certain situations that can be viewed as good results of the Association's work:

9. Donations received

General

As of December 31, 2017 and 2016, the Association has 12 promoters, who are committed to make annual donations of \$250,000 pesos each, which together represent a significant part of the contributions received by the Association on an annual basis. As of December 31, 2017 and 2016, the contributions by promoting partners represent 43% and 49%, respectively, of the annual donations collected. Donations were received as follows:

Red de Vecinos

	2017	2016
Cash contributions	\$ 6,943,233	\$ 8,631,503

• Citizenship and government working groups were held in "Red de Vecinos".

• Alliance of Red de Vecinos and Public Security for the prevention of crime and violence.

• Red de Vecinos carried out 77 consultancies, 18 meetings/trainings with Public Safety and

difficulties with public officials.

10. Donations given

The Association granted donations to other non-profit entities for the purpose of reimbursing remnants of program funds as follows:

	2017	2016
Unrestricted donations	\$ 1,500	\$ 1,557

• The National RegidorMX Alliance was created to replicate monitoring actions to city halls in other states of the country.

• An important citizen mobilization was achieved through the RegidorMX Guerrero

process. The Association's opening process in the city council of Cuernavaca achieved the transmission of city council sessions by the district; readjustment of the city hall physical space; and the modification of the city hall bylaws began.

11. Income taxes

As the Association is a non-profit organization in accordance with the provisions contained in the "Ley del Impuesto Sobre la Renta" (ISR), the Association is not a taxpayer of ISR, as long as it complies with the requirements established in the Law and in the authorization document 325-SAT-08-II-B-260 dated January 29, 2003, which stipulates that in order to enjoy the exemption from the payment of said tax for the income obtained from its operation under the terms of its constitutive deed, without distribution of profits during the period of operations and without incurring expenses other than those strictly necessary for the realization of its corporate purpose.

Nondeductible expenses incurred by the Association are subject to Income Tax in conformity with the applicable legal tax provisions. Because there are no temporary items in the determination of income tax payable by the Organization, no deferred income tax need be recorded. In 2017 and 2016, taxes payable by the Association is \$22,461 and \$24,626, respectively.

The collaborators of Yo Ciudadano reinforced the hypotheses presented in their research

Additionally, as published in the Official Gazette on January 19, 2018, fourth section page 87, the authorization was issued for taxpayers making donations to deduct those amounts from their taxable income, provided said donations are used exclusively for carrying out their social purpose.

• A citizen occupation campaign was launched to implement a strategy to promote the work of the volunteer organizations.

• The Corporation Area of Plan Estratégico designed 290 graphic materials, 4 websites and 390 videos.



12. Narrative statistical information

Achievements 2017

Although it is difficult to claim achievements in these areas, as explained below, following are certain situations that can be viewed as good results of the Association's work:

General

- Signed commitment of 2016-2018 candidates for city mayor to implement Plan Estratégico proposals.
- Plan Estratégico achieved 762 appearances in local and national print media.

Red de Vecinos

- Citizenship and government working groups were held in "Red de Vecinos".
- Red de Vecinos as reference for the solution of neighbor problems.
- Alliance of Red de Vecinos and Public Security for the prevention of crime and violence.
- Red de Vecinos carried out 77 consultancies, 18 meetings/trainings with Public Safety and 104 meetings with public officials.

RegidorMX

- The National RegidorMX Alliance was created to replicate monitoring actions to city halls in other states of the country.
- An important citizen mobilization was achieved through the RegidorMX Guerrero project.
- An important opening process in the city council of Juárez was achieved: it affected the transmission of city council sessions by the district; readjustment of the city hall physical space; and the modification of the city hall bylaws began.
- RegidorMX monitored 34 sessions of the city hall of Juárez, held 20 meetings with aldermen.

Así Estamos Juárez

- Así Estamos Juárez (AEJ) was consolidated as the main municipal measurement system.
- A technical review process of the AEJ scoreboard was carried out with experts.
- The Citizen Perception Survey 2017 was applied.
- The annual AEJ report was held in the Plan Estratégico room with an attendance of more than 387 people.

Yo Ciudadano

- Yo Ciudadano structures his vision on the everyday events of Juárez, to inform the border community in a truthful and timely manner.
- The collaborators of Yo Ciudadano reinforced the hypotheses presented in their research through the use of documentary and personal sources.

Communication

- A citizen occupation campaign was launched to implement a strategy to promote the work of the alderman commissions.
- The Communication Area of Plan Estratégico designed 290 graphic materials, 4 websites and 390 videos.



13. New accounting principles

At December 31, 2017, the CINIF has promulgated the following NIFs and improvements to NIFs that could have an impact on the financial statements of the Association:

- a. Improvements to NIFs 2018–The following improvements were issued, which generate accounting changes as January 1, 2018:

NIF B-2, *Statement of cash flows* – For liabilities from financing activities, requires disclosure of the relevant changes in cash flows, and preferably the initial and closing balances of such items should be reconciled.

NIF C-6, *Property, plant and equipment* – The depreciation and amortization method based on revenues cannot be used, except where the revenues and the consumption of the economic benefits from the assets follow a similar pattern.

- b. The following NIFs have been issued with effect from January 1, 2018:

NIF C-9, Provisions, contingencies and commitments

With effect from January 1, 2019:

NIF C-9, *Provisions, contingencies and commitments* – The term probable replaced the term virtually avoidable in the definition of liabilities. The first-time application of this NIF does not generate accounting changes in the financial statements.

At the date of issuance of these financial statements, the Association has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

14. Authorization to issue the financial statements

On May 18, 2018, the issuance of the accompanying financial statements was authorized by Ing. Miguel Fernández Iturriza, with legal power to authorize the financial statements and their notes; consequently, they do not reflect events occurred after that date. These financial statements are subject to the approval of the Association's as well as approval to the General Assembly of Members, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

* * * *

