

***Plan Estratégico de Juárez, A.C.***

Financial Statements for the Years  
Ended December 31, 2018 and  
2017, and Independent Auditors'  
Report Dated May 24, 2019



**Plan Estratégico de Juárez, A.C.**

# **Independent Auditors' Report and Financial Statements for 2018 and 2017**

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# 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 sheets as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years 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, 2018 and 2017, and its activities performance and its cash flows for the years then ended in accordance with Mexican Financial Reporting Standards (MFRS), applicable to non-profit organizations.

## *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 14 to the financial statements, prepared under the responsibility of the Association's administration, 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.



### ***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.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

C. P. C. Felipe de Jesús Navarro Balderas  
May 24, 2019



## Plan Estratégico de Juárez, A.C.

# Balance Sheets

As of December 31, 2018 and 2017

(In Mexican pesos)

	2018	2017
<b>Assets:</b>		
Current assets:		
Cash	\$ 3,390,830	\$ 2,750,935
Other accounts receivables	<u>63,598</u>	<u>                    </u>
Total current assets	3,454,428	2,750,935
Furniture and equipment – net	395,199	406,311
Other assets	<u>13,998</u>	<u>13,760</u>
Total	<u>\$ 3,863,625</u>	<u>\$ 3,171,006</u>
<b>Liabilities and Partners' assets</b>		
Current liabilities:		
Salaries and relative taxes payable	\$ 343,173	\$ 225,137
Other accounts payable	29,446	9,759
Income tax payable	<u>38,731</u>	<u>22,461</u>
Total liabilities	411,350	257,357
Commitments and contingencies (Note 11 and 12)		
Partners' assets:		
Unrestricted	3,327,263	2,717,263
Restricted temporarily	<u>125,012</u>	<u>196,386</u>
Total partners' assets	<u>3,452,275</u>	<u>2,913,649</u>
Total	<u>\$ 3,863,625</u>	<u>\$ 3,171,006</u>

See accompanying notes to these financial statements.



## Plan Estratégico de Juárez, A.C.

# Statements of Activities

For the years ended December 31, 2018 and 2017

(In Mexican pesos)

	2018	2017
Revenues:		
Contributions received	\$ 9,906,439	\$ 6,943,233
Other income	1,664,999	36,431
Exchange gain	312,022	373,202
Interest income	6,568	9,856
Other	<u>12,090</u>	<u>2,315</u>
Total revenues	11,902,118	7,365,037
Expenses:		
Operational and administrative expenses	10,996,054	8,692,431
Exchange loss	328,707	439,399
Income tax	<u>38,731</u>	<u>22,461</u>
Total expenses	11,363,492	9,154,291
Net changes in partners' assets	538,626	(1,789,254)
Partners' assets at the beginning of the year	<u>2,913,649</u>	<u>4,702,903</u>
Partners' assets at the end of the year	<u>\$ 3,452,275</u>	<u>\$ 2,913,649</u>

See accompanying notes to these financial statements.



## Plan Estratégico de Juárez, A.C.

# Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(In Mexican pesos)

	2018	2017
Operating activities:		
Net changes in partners' assets	\$ 538,626	\$ (1,789,254)
Items related to investment activities -		
Depreciation	<u>124,092</u>	<u>126,016</u>
	662,718	(1,663,238)
(Increase) decrease in:		
Other assets	(63,836)	2,334
Increase (decrease) in:		
Salaries and other accounts payable	118,036	(4,314)
Other accounts payable	19,687	(56,440)
Income taxes paid	<u>16,270</u>	<u>(2,165)</u>
Net cash flows from operating activities	752,875	(1,723,823)
Investing activities -		
Purchase of furniture and equipment	<u>(112,980)</u>	<u>(87,766)</u>
Net increase (decrease) in cash	639,895	(1,811,589)
Cash at the beginning of the year	<u>2,750,935</u>	<u>4,562,524</u>
Cash at the end of the year	<u>\$ 3,390,830</u>	<u>\$ 2,750,935</u>

See accompanying notes to these financial statements.





## Plan Estratégico de Juárez, A.C.

# Notes to Financial Statements

For the years ended December 31, 2018 and 2017

(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, by its acronym in Spanish) to receive tax deductible contributions and is exempt from federal income tax, except for; income from shares sale, interest and rewards 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, 2018 and 2017 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, 2018 and 2017 were 12.71% and 9.87%, respectively. Accordingly, the economic environment is not inflationary in either such period and no inflationary effects were recognized in the accompanying consolidated financial statements. Inflation rate for the three-year period ended December 31, 2018 was 15.69%. Inflation rates for the years ended December 31, 2018 and 2017 were 4.83% and 6.77%, 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 Association belongs.

	2018	2017
Salaries, benefits and relative taxes	\$ 7,536,746	\$ 4,592,707
Depreciation	124,092	126,016
Professional fees	1,061,606	1,989,629
Rent	611,895	594,653
Contributions made	2,200	1,500
Other costs and expenses	<u>1,659,515</u>	<u>1,387,926</u>
	<u>\$ 10,996,054</u>	<u>\$ 8,692,431</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 Association are as follows:

#### a. *Accounting changes*

As of January 1, 2018, the Association adopted the following NIFs and improvements to NIFs 2018:

2018 Improvements to NIFs - The following improvements were issued which generate accounting changes effective as of 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* and NIF C-8, *Intangible assets* - 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.

2018 Improvements to NIFs - The following improvements do not generate accounting changes:

NIF C-2, *Investment in financial instruments*; NIF C-3, *Accounts receivable*; NIF C-10, *Financial derivatives and hedging relationships*; NIF C-16, *Impairment of financial instruments receivable*; NIF C-19, *Financial instruments payable*; and NIF C-20, *Financial instruments receivable* - These six new NIFs related to financial instruments include clarifications.

The following NIFs were issued and are effective January 1, 2018:

NIF C-3, *Accounts receivable*

NIF C-9, *Provisions, contingencies and commitments*

NIF C-16, *Impairment of financial instruments receivable*

NIF C-19, *Financial instruments payable*

NIF C-3, *Accounts receivable* - The main changes consist of specifying that: a) the accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts for commercial accounts is recognized from the time the revenue is accrued, based on the expected credit losses; c) the time value of money should be considered as of the initial recognition; consequently, if the effect of the present value of the account receivable is material based on its term, it should be adjusted based on such present value, and d) required disclosures include an analysis of the change between the opening and closing balances of the allowance for bad debts.

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.



NIF C-16, *Impairment of financial instruments receivable (FIR)* - To determine when and how the expected losses from impairment of FIR should be recognized; this is when, as result of an increase in the credit risk, it is concluded that a part of the future cash flows from the FIR will not be recovered, and proposes that the expected loss should be recognized based on the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the various quantifiable future events that might affect the amount of the future recoverable cash flows of the FIR, which means that estimates must be made and should be periodically adjusted based on past experience. Furthermore, in relation to interest-bearing FIR, entities shall estimate the amount and timing for the cash flows expected to be recovered, as the recoverable amount must be recognized at present value.

NIF C-19, *Financial instruments payable* - Establishes: a) the possibility of valuing, after their initial recognition, certain financial liabilities at fair value, when certain exceptional conditions are fulfilled; b) the valuation of long-term liabilities at their present value at initial recognition, considering their present value when their term exceeds one year or outside normal credit conditions, and c) when a liability is restructured, but the future cash flows to settle the liability are not substantially modified, the costs and commissions disbursed in this process will affect the amount of the liability and will be amortized based on a modified effective interest rate, instead of directly affecting the net income or loss.

At the date of issuance of these financial statements, the adoption of this improvement did not have a material effect on the Association financial information.

- b. **Recognition of the effects of inflation** – Beginning on January 1, 2008, the Association discontinued recognition of the effects of inflation in its financial statements. However, non-monetary assets and liabilities and stockholders’ equity include the restatement effects recognized through December 31, 2007.
- c. **Cash** – Cash consists mainly of bank deposits in checking accounts. Cash is stated at nominal value and, any fluctuations in value are recognized directly in the statements of activities.
- d. **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:

	Average Years
Furniture and equipment	10
Computer equipment	3
Transportation equipment	4

- e. **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.



- f. **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.
- g. **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.
- h. **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 balance sheet date. Exchange fluctuations are recorded directly in the statements of activities.
- 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.

#### 4. Cash

	2018	2017
Cash	\$ 5,000	\$ 5,000
Cash deposits	<u>3,260,818</u>	<u>2,549,549</u>
<b>Total unrestricted</b>	<u>3,265,818</u>	<u>2,554,549</u>
Restricted cash	<u>125,012</u>	<u>196,386</u>
<b>Total cash and cash equivalents</b>	<u>\$ 3,390,830</u>	<u>\$ 2,750,935</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, 2018	December 31, 2017	Balance at the beginning of 2017
a) Investments:			
Furniture and equipment	\$ 980,523	\$ 980,523	\$ 980,523
Communication equipment	288,379	278,102	263,727
Computer equipment	1,005,808	903,105	829,714
Transportation equipment	<u>434,095</u>	<u>434,095</u>	<u>434,094</u>
	<u>2,708,804</u>	<u>2,595,824</u>	<u>2,508,058</u>



b) Accumulated depreciation:			
Furniture and equipment	(852,383)	(820,924)	(787,038)
Communication equipment	(178,746)	(157,675)	(137,742)
Computer equipment	(868,059)	(796,497)	(731,961)
Transportation equipment	<u>(414,417)</u>	<u>(414,417)</u>	<u>(406,756)</u>
	<u>(2,313,605)</u>	<u>(2,189,513)</u>	<u>(2,063,497)</u>
	<u>\$ 395,199</u>	<u>\$ 406,311</u>	<u>\$ 444,561</u>

Depreciation recorded in the statement of activities for the years ended as of December 31, 2018 and 2017 amounts \$124,092 and \$126,016, respectively.

## 6. Partners' assets:

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

	2018	2017
Unrestricted partners' assets	\$ 3,327,263	\$ 2,717,263
Temporary restricted partners' assets		
Set aside for the program "Cultura de la legalidad de la Embajada"	<u>125,012</u>	<u>196,386</u>
Total partners' assets	<u>\$ 3,452,275</u>	<u>\$ 2,913,649</u>

- 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 affected 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. Foreign currency balances

- a. As of December 31, the foreign currency monetary position is as follows:

	2018	2017
Monetary assets	<u>90,348</u>	<u>86,355</u>
Equivalent in Mexican pesos	<u>\$ 1,776,636</u>	<u>\$ 1,704,643</u>

- b. Mexican peso exchange rates in effect at the dates of the balance sheets and at the date of issuance of these financial statements were as follows:

	December 31, 2018	2017	May 24, 2019
U.S. dollar	<u>\$ 19.66</u>	<u>\$19.74</u>	<u>\$19.01</u>



## 8. Donations received

As of December 31, 2018 and 2017, 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, 2018 and 2017, the contributions by promoting partners represent 26% and 43%, respectively, of the annual donations collected. Donations were received as follows:

	2018	2017
Cash contributions	\$ <u>9,906,439</u>	\$ <u>6,943,233</u>

## 9. Donations given

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

	2018	2017
Unrestricted donations	\$ <u>2,200</u>	\$ <u>1,500</u>

## 10. 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 ISR taxpayer, as long as it complies with the requirements established in the ISR 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 income tax 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.

Non-deductible expenses incurred by the Association are subject to Income Tax in conformity with the applicable legal tax provisions. According with the ISR Law, the rate is 35% in 2018 and 2017 and it will continue thereafter. Because there are no temporary items in the determination of the annual income tax, no deferred income tax need be recorded. In 2018 and 2017, taxes payable by the Association is \$38,731 and \$22,461, respectively.

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.

## 11. Commitments

- I. The Association has entered into a collaboration agreement with the Centro de Investigaciones en Antropología Social "El CIESAS", in which it is agreed that its purpose is mutual collaboration 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 collaboration will be through the granting of financial support to the Plan Estratégico for a total of \$174,000 (one hundred seventy-four thousand pesos 00/100 m.n.) in 6 installments from October 2018 to February 2021 as follows:

October 2018	April 2019	September 2019	March 2020	August 2020	February 2021
\$34,800.00	\$34,800.00	\$34,800.00	\$26,100.00	\$26,100.00	\$17,400.00

1. The CIESAS undertakes to:
  - a. Follow up on the execution of the initiative established in the collaboration agreement and evaluate its results.
  - b. Carry out the corresponding ministrations 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 allocated by CIESAS and keep a timely record of the corresponding expenses for this project.
  - b. Fulfill in time and form the implementation of the initiative.
  - c. Present the deliverables established in the collaboration agreement.

II. Also, the Association has entered into a collaboration agreement with Desarrollo Económico de Juarez, A.C. ("DECJ") and Seguridad y Justicia de Ciudad Juarez, A. C. ("FICOSEC JUAREZ"), in which it is agreed that they commit to join efforts, experiences and resources to promote and develop activities of the citizen participation project for the prevention of corruption and the strengthening of municipal government.

This collaboration will be through the granting of financial support to the Plan Estratégico for a total of \$6,337,859.55 pesos (Six million three hundred thirty-seven thousand eight hundred and fifty-nine pesos 55/100 m.n.) will be delivered in quarterly ministrations as follows:

Trimester 1	Trimester 2	Trimester 3	Trimester 4
\$1,648,410.64	\$1,563,149.64	\$1,563,149.64	\$1,563,149.64

1. DECJ Y FICOSEC JUAREZ undertakes to:
  - a. To supervise the correct execution of the project.
2. FICOSEC JUAREZ is committed to:
  - a. Delivery of the amount approved by the parties involved in the agreement.
3. Plan Estratégico commits to:
  - a. Be responsible for the administration of the project and deliver reports in established times.



- b. Hire personnel that meet the professional profiles and experience to perform the established activities.
  - c. Carry out attendance follow-up and staff compliance.
  - d. Deliver to "FICOSEC JUAREZ" the financial report on a monthly basis and the verification of the operating expenses of the model at a local level as part of the monitoring and monitoring carried out by "FICOSEC JUAREZ".
  - e. Open an exclusive bank account for "FICOSEC JUAREZ".
- III. The Association, as beneficiary, has an agreement for the project “Prevención y combate a la corrupción para el fortalecimiento del Estado de Derecho en Ciudad Juárez with USAID. This project aims to achieve greater compliance with municipal regulations and greater transparency in areas of planning, decision-making and municipal spending, through the implementation of four strategic components: a) legal requirement, b) promotion of participation citizen, c) actions of social comptroller and d) generation of strategic information. This model of intervention is the result of knowledge and institutional experience, in which public issues have been addressed as complex issues that require diversified strategies that maximize the chances of success.

The proposed components allow, in turn, to strengthen among themselves, the actions that each one develops. For example, the legal requirement is often possible to the information acquired through the actions of social comptroller or journalistic investigation. Or the generation of strategic information, allows a more documented and solid citizen participation.

The financing began on August 10, 2018, for an estimated amount of \$1,500,000. It is estimated that it will end on August 9, 2023.

- 1. USAID is committed to:

Pay the amount of \$500,000 for program expenses during the period established under an established budget. USAID is not obligated to reimburse the Beneficiary for the expense of amounts that exceed the total amount committed.

- 2. Plan Estratégico commits to:

Develop an annual work plan in English for each year of the award period. The 12-month work plan will be finalized in consultation with the Official Representative of the USAID / Mexico Agreement (AOR) within 30 days after the start of each year of activity (the year of activity begins on October 1). The AOR will review and approve the Annual Work Plan for the first year and must send it to the AOR in English no later than 30 days after the start of the award.

The annual work plan will contain clear performance indicators and benchmarks against which the beneficiary will report quarterly. The annual Work Plan will also contain a budget projection for the plan period that relates quantifiable results and cost estimates. These are extremely important management tools, so their timely and comprehensive presentation is essential, as is the early participation of USAID staff in discussing the nature of next year's activities. The Annual Work Plan process is an opportunity to reevaluate priorities. The final selection of the activities to be supported will be carried out jointly by the Beneficiary and USAID during the preparation and approval of the annual work plans.





## 12. 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.

## 13. Subsequent event

On February 1, 2019, the Association's management received emails apparently from the Association's President and the Association's Treasury Department, requesting wire transfers money in the amount of \$98,325 dollars. On February 5, 2019, the Association made the requested wire transfers in full; however, the President denied having made such request and therefore cyber fraud was detected. The corresponding complaint was immediately filed at the public prosecutor's office, being settled in file 4434/2018, as well as in the Banamex, the Financial Institution.

On May 14, 2019, the Association was informed from the Financial Institution that the transfer was complete and there is no way to recover the money.

## 14. Narrative statistical information

### Achievements 2018

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:

### RegidorMX

- 100% of Cabildo sessions monitored and evaluated.
- 100% of meetings of Registered Commissions monitored and evaluated.
- 100% of the sessions of the Technical Committee on the resolution of public works evaluated (28).
- 100% of the Procurement, Leasing and Services Committee sessions evaluated (23).
- Increase in the publication of works and acquisitions contracts, as well as documents of the calls and opinions.
- It was evidenced that the remuneration of the members of the municipality is not completely transparent.
- Efforts were made to comply with the publication of minutes of committee meetings on the transparency page.
- The design of a structured and coherent Municipal Development Plan (PMD) was focused on.
- The PMD was aligned with the United Nations Sustainable Development Goals.
- In 2018, real-time comptrollership was carried out through the monitoring of 100% of the contracted works.
- Municipal government makes appearances for Municipal Budget for the second consecutive year.
- The Municipal Government continued to be evaluated with solid methodologies.

### Así Estamos Juárez

- 59 indicators designed for the measurement of Governance and Citizen Participation.
- 480 attendees to the presentation event of Quality of Life Indicators in Juárez.
- 7,989 quality of life variables evaluated.
- Greater scientific knowledge about citizen participation and governance in the city.
- Agreement with the United Nations to accompany the long-term planning process (Agenda Juárez2030).



## **Yo Ciudadano**

- 1045 journalistic notes made in public affairs.
- 29 journalistic investigations carried out on the subject of corruption.
- A journalistic exercise was continued outside the control of the traditional business model of the media.
- Through journalistic research it was possible to suspend the call, sanction the companies involved and the dismissal of the Director of Social Development.
- Make visible the construction of public works in risk areas.
- Make visible that public works are paid in Juarez without these being completed.
- The use of false documentation in construction permits was revealed, with the Cabildo suspending the work and a complaint filed with the State Attorney General's Office.
- YoCiudadano participated in 'Verified 2018', along with media such as Newsweek, El Universal, Forbes, Buzzfeed, Gatopardo, Vice and La Jornada, and organizations like Mexicans Against Corruption and Impunity.
- YoCiudadano joined the Network Breaks the Fear (headed by Article 19) to document and report aggressions against journalists and human rights defenders.
- In 2018 YoCiudadano was nominated for the State Prize for Journalism for a text about shelters for women in situations of violence.

## **Comunicación**

- 112,532 views on training content and information on monitoring and evaluation results for the Cabildo, Commissions of aldermen, PMD and PM on average per quarter.
- 178,249 views on average per quarter in training content and results of the Social Comptroller's actions in the quarter.
- The approval of the Law of Citizen Participation was influenced through an institutional communication strategy.

## **Área Jurídica**

- 3 strategic legal actions filed by PEJ.
- Through legal requirement, it was possible to prevent the payment of works before being completed.
- Through legal requirements, the activity of the Procurement Committee and the publication of public information were made transparent (A case was opened against the senior official).
- PEJ was consolidated as a key actor before the ICHITAIP in process to define the guidelines, obligations and obligated subjects of a private nature in the state.
- Proposals were made to the state procurement and construction laws so that the participation of social witnesses is still possible in the invitation or public bidding processes.
- Collaborated with the Public Function Secretariat in the preparation of the Citizen Participation Regulations (specifically, the figures of the Open Town Council and Social Comptrollerships were drafted).
- The Superior Audit of the State and the Federation was able to include the complaints filed by PEJ for the audits of works in community kitchens for the next year.

## **15. New accounting principles**

As of December 31, 2018, the CINIF has issued the following NIFs and Improvements to NIFs which may affect the financial statements of the Association:

Effective January 1, 2019:



NIF D-5, *Leases* - The accounting recognition for the lessor remains the same and only disclosure requirements are added. For the lessee it introduces a single recognition model for leases which eliminates their classification as operating or capital leases, so the latter should recognize the assets and liabilities of all leases of over 12 months (unless the underlying asset is low value). Consequently, the most important impact will be an increase in the assets leased and in the financial liabilities of a lessee when recognizing an asset for the right to use the underlying asset leased and a lease liability which reflects the obligation of the lease payments at present value. The following aspects should be considered when this NIF is applied: a) a lease is defined as a contract which transfers to the lessee the right to use an asset for a determined period of time in exchange for a consideration; therefore, it should be evaluated, at the start of the contract, whether the right to control the use of an identified asset for a determined period of time is obtained; b) it changes the nature of the expenses related with leases, by replacing the expense for operating lease in accordance with Bulletin D-5, with an expense for depreciation or amortization of the assets for the right of use (in operating costs) and an interest expense on the lease liabilities (in comprehensive financing result); c) it modifies the presentation in the statement of cash flows when reducing the cash flows from operating activities, with an increase in outlays of cash flows from financing activities to reflect the payments of the lease liabilities; d) it modifies the recognition of the gain or loss when a vendor-lessee transfers an asset to another entity and leases that asset back.

NIF B-11, *Disposal of Long-lived Assets and Discontinued Operations*, with the aim of aligning with International Financial Reporting Standards (IFRS), particularly International Financial Reporting Standard 5 (NIIF 5), *Noncurrent Assets Held for Sale and Discontinued Operations*.

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.

## **16. Authorization to issue the financial statements**

On May 24, 2019, 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.

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