

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021



PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

T A B L E O F C O N T E N T S

	Page(s)
Independent Accountants' Review Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Changes in Net Assets	3-4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-15



One California Street, Suite 2500, San Francisco, CA 94111
Phone 415-421-5757 | Fax 415-288-6288 | bpm@bpm.com

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Proyecto Mirador Foundation and Subsidiaries

We have reviewed the accompanying consolidated financial statements of Proyecto Mirador Foundation and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with U.S. GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Proyecto Mirador Foundation and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with U.S. GAAP.

Emphasis of Matter

As discussed in Note 2 of the consolidated financial statements, carbon emission reductions are recorded at cost, amortized over seven years, and reviewed periodically for impairment. The U.S. GAAP does not have clear guidance on accounting treatment for carbon emission reductions. Note 2 also describes Proyecto Mirador Foundation's reliance on carbon credit sales from a concentration of customers, including related parties. Our conclusion is not modified with respect to this matter.

BPM LLP

San Francisco, California
November 20, 2023

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2022 and 2021

(See Independent Accountants' Review Report)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 673,853	\$ 857,580
Accounts receivable	-	843
Pledges receivable	500,000	500,000
Investments	593,901	10
Software and equipment, net	67,277	150,233
Carbon emission reductions, net	<u>5,633,817</u>	<u>3,717,627</u>
 Total assets	 <u>\$ 7,468,848</u>	 <u>\$ 5,226,293</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 31,517	\$ 25,070
Deferred revenue	<u>2,871,753</u>	<u>2,334,199</u>
 Total liabilities	 <u>2,903,270</u>	 <u>2,359,269</u>
Net assets:		
Without donor restrictions	4,065,578	2,367,024
With donor restrictions	<u>500,000</u>	<u>500,000</u>
 Total net assets	 <u>4,565,578</u>	 <u>2,867,024</u>
 Total liabilities and net assets	 <u>\$ 7,468,848</u>	 <u>\$ 5,226,293</u>

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 2022
(See Independent Accountants' Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Carbon credit sales	\$ 5,282,261	\$ -	\$ 5,282,261
Less: cost of sales	<u>39,200</u>	<u>-</u>	<u>39,200</u>
Carbon credit sales, net	5,243,061	-	5,243,061
Contributions	15		15
In-kind contributions	36,000	-	36,000
Investment return, net	17,124	-	17,124
Other income	163	-	163
Net assets released from restriction	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>5,296,363</u>	<u>-</u>	<u>5,296,363</u>
Expenses:			
Program expenses	3,209,105	-	3,209,105
General and administrative	<u>280,308</u>	<u>-</u>	<u>280,308</u>
Total expenses	<u>3,489,413</u>	<u>-</u>	<u>3,489,413</u>
Change in net assets before currency translation adjustment	<u>1,806,950</u>	<u>-</u>	<u>1,806,950</u>
Currency translation adjustment	<u>(108,396)</u>	<u>-</u>	<u>(108,396)</u>
Change in net assets	1,698,554	-	1,698,554
Net assets, beginning of year	<u>2,367,024</u>	<u>500,000</u>	<u>2,867,024</u>
Net assets, end of year	<u>\$ 4,065,578</u>	<u>\$ 500,000</u>	<u>\$ 4,565,578</u>

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS, CONTINUED
For the year ended December 31, 2021
(See Independent Accountants' Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Carbon credit sales	\$ 3,060,837	\$ -	\$ 3,060,837
Less: cost of sales	37,400	-	37,400
Carbon credit sales, net	3,023,437	-	3,023,437
Contributions	23,140		23,140
In-kind contributions	36,000	-	36,000
Investment return, net	92,040	-	92,040
Other income	16,577	-	16,577
Net assets released from restriction	40,000	(40,000)	-
Total revenues and support	3,231,194	(40,000)	3,191,194
Expenses:			
Program expenses	2,223,196	-	2,223,196
General and administrative	158,240	-	158,240
Total expenses	2,381,436	-	2,381,436
Change in net assets before currency translation adjustment	849,758	(40,000)	809,758
Currency translation adjustment	(49,496)	-	(49,496)
Change in net assets	800,262	(40,000)	760,262
Net assets, beginning of year	1,566,762	540,000	2,106,762
Net assets, end of year	\$ 2,367,024	\$ 500,000	\$ 2,867,024

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2022 and 2021

(See Independent Accountants' Review Report)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,806,950	\$ 809,758
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Write-off of software development costs	69,186	-
Amortization and depreciation of software and equipment	32,779	31,544
Amortization of carbon emission reductions	1,979,627	1,454,921
Realized and unrealized gains, net	(683)	(83,449)
Write-off of accounts receivable	843	-
Changes in operating assets and liabilities:		
Accounts receivable	-	20
Accounts payable and accrued liabilities	6,447	21,038
Carbon emission reductions	(3,895,817)	(2,253,456)
Deferred revenue	537,554	(950,000)
Net cash provided by (used) in operating activities	<u>536,886</u>	<u>(969,624)</u>
Cash flows from investing activities:		
Purchases of software and equipment	(19,009)	(68,165)
Proceeds from sale of investments	-	767,471
Purchases of investments	(593,208)	-
Net cash (used in) provided by investing activities	<u>(612,217)</u>	<u>699,306</u>
Effect of exchange rates on cash	<u>(108,396)</u>	<u>(49,496)</u>
Net change in cash and cash equivalents	(183,727)	(319,814)
Cash and cash equivalents, beginning of year	<u>857,580</u>	<u>1,177,394</u>
Cash and cash equivalents, end of year	<u>\$ 673,853</u>	<u>\$ 857,580</u>
Supplemental disclosure of cash flow information:		
Cash paid for federal and state taxes	<u>\$ 8,603</u>	<u>\$ 1,000</u>

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

1. Foundation and Subsidiaries

Proyecto Mirador Foundation (the "Foundation") is a Michigan nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is dedicated to building healthy, fuel efficient cook stoves, named "Dos por Tres," through its subsidiaries: Proyecto Mirador, LLC ("PM, LLC"), in Honduras; and Proyecto Mirador – Guatemala NGO, LLC ("PM – NGO, LLC"), in Guatemala. The Foundation's funding is provided by carbon finance through the sale of verified emissions reductions, as well as from contributions from foundations and individuals. One of the individual donors is also a Trustee of the Foundation.

PM, LLC has constructed more than 293,000 stoves by technicians of the project and manages 244 employees and technicians who are responsible for the teams that construct stoves in an area. The completed stoves prevent GHG emissions, soot emissions, and forest degradation, and also reduce smoke in homes. Carbon verified emission reductions ("VERs") have been certified by the Gold Standard and more than 2,367,000 metric tonnes of CO₂ equivalent have been sold after twelve successful validations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The financial statements include the accounts of the Foundation and its wholly owned subsidiaries, PM, LLC, in Honduras and PM – NGO, LLC, in Guatemala (together known as "Proyecto Mirador"). The consolidated financial statements eliminate significant intercompany transactions and accounts.

Basis of Presentation

The consolidated financial statements are presented on the accrual basis of accounting and reflect net assets with and without donor restrictions.

Net Assets without Donor Restrictions: Net assets without donor restrictions consist of the resources of Proyecto Mirador, which have not been restricted by a donor or implied time restriction.

Net Assets with Donor Restrictions: Net assets with donor restrictions represent contributions whose use by Proyecto Mirador is limited in accordance with the restrictions imposed by donors. These restrictions may expire when the stipulated time has passed or may be satisfied by the actions of Proyecto Mirador according to the stipulations made by the donors.

Cash and Cash Equivalents

Proyecto Mirador considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Proyecto Mirador maintains its cash in various bank accounts, which at times may exceed federally insured limits.

Accounts Receivable

Accounts receivable are reported at net realizable value. Accounts are charged to the allowance for doubtful accounts as they are deemed uncollectible based upon a periodic review of the accounts. The amounts reflected in the consolidated statements of financial position as accounts receivable are determined by Proyecto Mirador to be fully collectible based on historical experience. There was no allowance for doubtful accounts as of December 31, 2022 and 2021. Interest is not accrued on past-due amounts.

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

2. Summary of Significant Accounting Policies, continued

Pledges Receivable

Pledges receivable are recognized when an unconditional promise to give is received. As of December 31, 2022 and 2021, all pledges receivable were due within a year and reported as an increase to net assets with donor restrictions.

Software and Equipment, Net

Software is recorded at cost and amortized on a straight-line basis. Equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful life of the respective assets.

Software	5 years
Vehicles	3 years
Furniture and equipment	3 years

Carbon Emission Reductions

Carbon emission reductions are recorded at the cost to place the fuel efficient cook stoves in service, which includes raw materials and staff salaries. The costs are amortized over seven years based on historical studies of the proportional emission reductions per year to the total expected emission reductions of an average cook stove. The following table represents the expected cumulative amortization of these cook stoves over their estimated useful life.

Year 1	19.2%
Year 2	36.2%
Year 3	52.0%
Year 4	66.6%
Year 5	79.6%
Year 6	90.4%
Year 7	100.0%

Amortization is recognized as program expenses in the consolidated statements of activities and changes in net assets.

Proyecto Mirador periodically reviews the carrying value of its carbon emission reductions to determine whether an impairment exists. Proyecto Mirador considers relevant cash flow information for the sale of carbon emission reductions in assessing whether the carrying value of the carbon emission reductions can be recovered. During 2022 and 2021, Proyecto Mirador determined there was no need to impair the carrying value of the assets.

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

2. Summary of Significant Accounting Policies, continued

Revenue Recognition and Deferred Revenue

Carbon Credit Sales

Revenue is recognized once performance obligations under the terms of Proyecto Mirador contracts with its customers have been completed at which point control of the promised carbon credit is transferred to customers. Proyecto Mirador's contractual obligations to its customers generally have a single point of obligation and the terms vary as Proyecto Mirador sells carbon credits on an exchange and through multi-year contracts with its customers. Sales generally occur after a particular vintage of carbon emission reductions have been independently certified through the Gold Standard Certification process, which can take up to 2 years after the date the stoves are placed into service. Any funds received from multi-year executed contracts or other sales prior to the certification of a vintage of carbon emission reductions are considered deferred revenue. Payment terms for carbon credit sales typically fall within 10 banking days after receipt of Proyecto Mirador's invoice.

Contributions and Other Income

Contributions are recognized as revenue in the period received or unconditionally promised. Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any such restrictions. When a donor 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.

Functional Expense Allocations

The indirect costs associated with program activities have been allocated on a functional basis. Certain expenses, such as professional fees, salaries, payroll taxes, employee benefits, depreciation, meals and entertainment, organization fees, and office expenses are allocated among project and administrative expenses based on allocation methods and estimates that have been made by Proyecto Mirador's management and consistently applied.

Functional expenses are summarized as follows for the years ended December 31:

	2022		
	Program Expenses	General and Administrative	Total
Amortization of carbon emissions	\$ 1,979,627	\$ -	\$ 1,979,627
Personnel costs	885,627	-	885,627
Honduras overhead	208,079	-	208,079
Professional and consultants	-	165,404	165,404
Computers, software, and IT support	56,579	82,227	138,806
Dues and subscriptions	48,820	-	48,820
Amortization of and depreciation of software and equipment	29,747	3,032	32,779
Other	626	29,645	30,271
	<u>\$ 3,209,105</u>	<u>\$ 280,308</u>	<u>\$ 3,489,413</u>

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

2. Summary of Significant Accounting Policies, continued

Functional Expense Allocations, continued

	2021		
	Program Expenses	General and Administrative	Total
Amortization of carbon emissions	\$ 1,454,921	\$ -	\$ 1,454,921
Personnel costs	535,616	40,035	575,651
Honduras overhead	129,883	-	129,883
Professional and consultants	-	95,329	95,329
Computers, software, and IT support	48,464	9,365	57,829
Dues and subscriptions	26,904	-	26,904
Amortization of and depreciation of software and equipment	26,407	5,137	31,544
Other	1,001	8,374	9,375
	<u>\$ 2,223,196</u>	<u>\$ 158,240</u>	<u>\$ 2,381,436</u>

Income Taxes

The Foundation is a nonprofit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701d of the Revenue and Taxation Code of the State of California, except for any income considered to be unrelated business income. The Foundation operates a private foundation operating within the meaning of Section 509(a) of the IRC. The Foundation is subject to federal excise taxes on its net investment income.

PM, LLC and PM – NGO, LLC are Delaware limited liability companies exempt from income tax under Section 501(c)(3) of the IRC and Section 23701d of the Revenue and Taxation Code of the State of California, for both federal and state income tax purposes. The State of Delaware imposes an annual franchise tax of \$300 on limited liability companies.

Fair Value

Fair Value Measurements and Disclosures

Under accounting standards for fair value measurements and disclosures, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

Proyecto Mirador utilizes valuation techniques in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability and are based on market data obtained from independent sources while unobservable reflect the Foundation's assumptions in pricing an asset or liability. There have been no changes in valuation techniques for the years ended December 31, 2022 and 2021.

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

2. Summary of Significant Accounting Policies, continued

Fair Value, continued

Fair Value Hierarchy

Proyecto Mirador's financial assets and liabilities measured at fair value on a recurring basis (see Note 3) are categorized according to the fair value hierarchy consisting of the following three levels:

Level 1 – valuation inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 – valuation inputs are obtained from readily-available pricing sources for comparable assets or liabilities.

Level 3 – valuation inputs are without observable market inputs and are based on Proyecto Mirador's own assumptions which involve a high level of judgment.

During years ended December 31, 2022 and 2021, there were no transfers between Level 1, 2, or 3 hierarchies.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency

The Honduran Lempira and Quetzal are the functional currencies for the international subsidiaries, PM, LLC and PM – NGO, LLC. Foreign currency transactions of PM, LLC and PM – NGO, LLC are re-measured into U.S. dollars at the end-of-period exchange rates for monetary assets and liabilities, and historical exchange rates for nonmonetary assets. Accordingly, the effects of foreign currency transactions are included in "Foreign exchange loss," and of re-measuring the financial condition into the functional currency resulted in foreign currency gains and losses are included in "Currency translation adjustment" on the consolidated statements of activities and changes in net assets.

In-Kind Contributions

Effective January 1, 2022, Proyecto Mirador's the Foundation adopted issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)* ("ASU 2020-07"). The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets.

The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received.

Proyecto Mirador records in-kind contributions related to services received. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions of \$36,000 for the years ended December 31, 2022 and 2021 consisted mainly of services from related parties (see Note 12).

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

2. Summary of Significant Accounting Policies, continued

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short term lease). In November 2019, the FASB issued ASU 2019-10, *Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, which delayed the effective date of ASU 2016-02 by one year. In May 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which delayed the effective date for an additional year. ASU 2016-02 is now effective for fiscal years beginning after December 15, 2021. The adoption of ASU-2016 did not have a material impact on Proyecto Mirador's consolidated financial statements.

Financial Results and Liquidity

Proyecto Mirador has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 120 days of normal operating expenses, which are approximately \$1,200,000 for 2022. Proyecto Mirador has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, Proyecto Mirador invests cash in excess of daily requirements in various short-term investments, including short-term treasury instruments.

Proyecto Mirador is dependent on the sale of carbon credits from contracts with customers, which have historically been concentrated with a small number of customers, including related parties (see Notes 9 and 12). The ability to sustain operations anticipates that such sales will continue for a period of one year or more. Proyecto Mirador has the following financial assets available to meet cash needs for general expenditures within one year as of December 31:

	2022	2021
Cash and cash equivalents	\$ 673,853	\$ 857,580
Accounts receivable	-	843
Pledges receivable	500,000	500,000
Investments	593,901	10
Total financial assets	1,767,754	1,358,433
Pledge receivable expected to be collected in more than one year	(500,000)	(500,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,267,754</u>	<u>\$ 858,433</u>

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

3. Investments and Fair Value Measurements

The following tables set forth by level (see Note 1), within the fair value hierarchy, Proyecto Mirador's investments at fair value as of December 31:

	2022		
	Level 1	Level 2	Total
Equity securities	\$ -	\$ -	\$ -
Fixed income securities	593,901		593,901
Total assets in the fair value hierarchy	\$ 593,901	\$ -	\$ 593,901
	2021		
	Level 1	Level 2	Total
Equity securities	\$ 10	\$ -	\$ 10
Fixed income securities	-	-	-
Total assets in the fair value hierarchy	\$ 10	\$ -	\$ 10

4. Software and Equipment, Net

Software and equipment, net consisted of the following as of December 31:

	2022	2021
Software	\$ 458,324	\$ 458,324
Vehicles	172,034	170,831
Furniture and equipment	64,269	46,463
Total	694,627	675,618
Less: accumulated amortization and depreciation	(627,350)	(525,385)
Software and equipment, net	\$ 67,277	\$ 150,233

Amortization and depreciation expense related to software and equipment was \$32,779 and \$31,544 for the years ended December 31, 2022 and 2021, respectively. Proyecto Mirador wrote off \$69,186 of software development costs during the year ended December 31, 2022. No costs were written off during the year ended December 31, 2021.

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

5. Carbon Emission Reductions, Net

Proyecto Mirador capitalizes costs associated with labor, materials, and overhead used in the construction of energy efficient stoves in Honduras as representative of the cost of carbon credits produced by the stoves. Carbon emission reductions consisted of the following as of December 31:

	2022	2021
Carbon emission reductions	\$ 16,573,547	\$ 12,677,730
Less: accumulated amortization	(10,939,730)	(8,960,103)
Carbon emission reductions, net	\$ 5,633,817	\$ 3,717,627

Amortization expense related to carbon emission reductions was \$1,979,627 and \$1,454,921 for the years ended December 31, 2022 and 2021, respectively.

6. Deferred Revenue

As of December 31, 2022, deferred revenue consisted of contracts for carbon credits expected to be certified in the following years:

Year ending December 31:	
2024	\$ 787,489
2025	2,084,264
Total	\$ 2,871,753

Changes in deferred revenue were as follows for the years ended December 31:

	2022
Deferred revenue as of January 1, 2022	\$ 2,334,199
Additions to deferred revenue recognized during the year ended December 31, 2022	2,084,264
Revenue recognized during the year ended December 31, 2022	(1,546,710)
Deferred revenue as of December 31, 2022	\$ 2,871,753
	2021
Deferred revenue as of January 1, 2021	\$ 3,284,199
Additions to deferred revenue recognized during the year ended December 31, 2021	-
Revenue recognized during the year ended December 31, 2021	(950,000)
Deferred revenue as of December 31, 2021	\$ 2,334,199

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

7. Net Assets with Donor Restrictions

Net assets with donor restrictions of \$500,000 are held with a time restriction as of December 31, 2022 and 2021. During the years ended December 31, 2022 and 2021, the stipulated time passed on net assets with donor restrictions of \$0 and \$40,000, respectively, and the amount was released and used for general and administrative expenses.

8. Federal Excise Taxes

Proyecto Mirador is subject to federal excise taxes on net investment income of 1.39% and recognizes current and deferred taxes utilizing that rate. As of December 31, 2022 and 2021, Proyecto Mirador had no deferred federal excise tax balance recorded because the amount is de minimis.

Proyecto Mirador qualifies as a private operating foundation and, therefore, is not subject to the minimum qualifying distribution requirements generally applicable to private non-operating foundations.

If taxes are due, a payable is recognized for current federal excise taxes. If a refund is due, these amounts are included in prepaid expenses and other assets on the consolidated statements of financial position.

State tax expense was \$8,603 and \$1,000 for the years ended December 31, 2022 and 2021, respectively.

9. Concentrations of Credit Risk and Contingencies

Cash and Investments

Financial instruments that potentially subject Proyecto Mirador to credit risk consist primarily of cash, cash equivalents, and investments. Proyecto Mirador maintains cash and cash equivalents with commercial banks and other major financial institutions; however, Proyecto Mirador's balances may generally exceed federal deposit insurance limits.

Investments in general are exposed to various risks, such as interest rate, credit and overall market volatility. To address the risk of investments, Proyecto Mirador invests in fixed income corporate bonds. Investments are secured up to a limit set by the Securities Investor Protection Corporation ("SIPC"). As of December 31, 2022, Proyecto Mirador held investments in excess of the SIPC insurance limits.

Contributions

As of December 31, 2022, amounts from one donor made up 100% of total contributions. As of December 31, 2021, amounts from two donors made up 72% of total contributions.

Pledges Receivable

As of December 31, 2022 and 2021, the amount due from one foundation accounted for 100% of the total pledges receivable.

Carbon Credit Sales

For the year ended December 31, 2022, 84% of carbon credit sales were from two customers. For the year ended December 31, 2021, 94% of carbon credit sales were from two customers.

PROYECTO MIRADOR FOUNDATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

(See Independent Accountants' Review Report)

9. Concentrations of Credit Risk and Contingencies, continued

Deferred Revenue

As of December 31, 2022 and 2021, 100% of deferred revenue was from one customer.

10. Foreign Operations

The Foundation funds operations of PM, LLC, a wholly-owned subsidiary in Honduras and PM – NGO, LLC, a wholly-owned subsidiary in Guatemala. Approximately \$6,094,000 and \$3,870,000 of the net assets reported in the accompanying consolidated statements of financial position relate to those operations for the years ended December 31, 2022 and 2021, respectively.

11. Cumulative Translation Adjustment

Translation adjustments for 2022 consist of foreign currency translation adjustments associated with PM, LLC and PM – NGO, LLC. Changes in the cumulative translation adjustments are reported in the consolidated statements of activities and changes in net assets. The change in the cumulative translation adjustments was as follows for the years ended December 31:

	2022	2021
Cumulative translation loss at beginning of year	\$ 156,221	\$ 106,725
Foreign currency translation adjustments	108,396	49,496
Cumulative translation loss at end of year	\$ 264,617	\$ 156,221

12. Related Party Transactions

For the years ended December 31, 2022 and 2021, Proyecto Mirador sold approximately 197,976 and 247,414 tons of carbon credits to a non-profit founded by a trustee for approximately \$2,096,080 and \$1,742,859, respectively, for which revenue was recognized during the respective years.

For the years ended December 31, 2022 and 2021, Proyecto Mirador received services from a trustee's business in the form of accounting services and reporting required for the Gold Standard verification. For the years ended December 31, 2022 and 2021, the Foundation recorded in-kind contributions and expenses of \$36,000 for the services provided.

As of December 31, 2022 and 2021, \$500,000 was outstanding as a pledge from a foundation, whose Executive Director is on Proyecto Mirador's Board of Directors.

13. Subsequent Events

Proyecto Mirador evaluated subsequent events for recognition and disclosure through November 20, 2023, the date which these consolidated financial statements were available to be issued. Management concluded that no subsequent events have occurred since December 31, 2022 that require recognition or disclosure in the consolidated financial statements.

