AGRICULTURAL UNIVERSITY OF THE HUMID TROPICAL REGION (EARTH) AND SUBSIDIARY

Consolidated Financial Statements

As of December 31, 2022

(With corresponding figures for 2021)
(With Independent Auditors' Report thereon)

(Translation into English of the original
Independent Auditors' Report issued in Spanish)

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Independent Auditors' Report

To the Board of Directors of
Agricultural University of the Humid Tropical Region (EARTH)

Audit report on financial statements

Opinion
We have audited the consolidated financial statements of the Agricultural University of the Humid Tropical Region (EARTH) and Subsidiary (jointly referred to as the University), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statements of activities and changes in net assets and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of December 31, 2022, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the University in accordance with the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Costa Rica, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the University'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 University or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 University's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- 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 University's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 University to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

DAVID ALEJANDRO MIRANDA ESPINOZA (FIRMA)

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Date: 2023.03.09 16:00:52 -06'00'

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Cédula: 402020038
Nombre del Cliente: EARTH
Identificación del cliente: 3007078951
Dirigido a: Uriel Cubillo
Fecha: 20-02-2023 01:23:41 PM
Tipo de trabajo: Informe de Auditoria

Timbre de ¢1000 de la Ley 6663 adherido y cancelado en el original.

DAVID ALEJANDRO MIRANDA ESPINOZA
Contador Público Autorizado No. 7142
COSTA RICA

Código de Timbre: CPA-1000-3089

San José, Costa Rica
Member No. 7142
Policy No. 0116 FIG 7
Expires 09/30/2023

¢1,000 tax stamp paid pursuant to Law No. 6663
and affixed to the original document

AGRICULTURAL UNIVERSITY OF THE HUMID TROPICAL REGION (EARTH) AND SUBSIDIARY
(Limón, Costa Rica)

Consolidated Statement of Financial Position
(In US dollars)

As of December 31, 2022
(With corresponding figures for 2021)

	Note		2022	2021
Assets:				
Cash	7	US$	921.760	1.820.370
Investment securities	8		30.632.885	33.307.299
Accounts receivable, net	9		6.244.554	5.520.568
Inventories, net	10		450.136	404.727
Prepaid expenses			130.366	120.349
Intangible assets, net			45.703	26.970
Property, plantations, vehicles, machinery, furniture and equipment, net	11		25.363.674	25.422.388
Biological assets	12		1.114.750	759.787
Other assets			22.861	30.740
Total assets		US$	64.926.689	67.413.198
Liabilities and Net Assets:				
Banks loans and other	13	US$	386.396	470.649
Accounts payable	14		1.993.417	3.092.448
Contract liabilities (deferred income)	15		9.202.193	8.899.511
Other liabilities	16		1.118.994	936.002
Total liabilities			12.701.000	13.398.610
Total net assets			52.225.689	54.014.588
Total liabilities and net assets		US$	64.926.689	67.413.198

The notes on pages 1 to 54 are an integral part of these consolidated financial statements.

AGRICULTURAL UNIVERSITY OF THE HUMID
TROPICAL REGION (EARTH) AND SUBSIDIARY
(Limón, Costa Rica)

Consolidated Statement of Activities and Changes in Net Assets
(In US dollars)

As of December 31, 2022
(With corresponding figures for 2021)

	Note		2022	2021
Income:				
Donations		US$	5.149.840	5.609.184
Tuition fees and scholarships			12.455.955	12.801.957
Sale of bananas			10.863.667	9.098.722
			135.332	170.635
Sale of crops, seeds, and other			93.434	93.880
Gain (loss) net due to changes in fair value of biological assets	12		354.964	3.567
Services to third parties			2.555.214	3.159.503
Interest			349.710	309.823
Gain on valuation of financial investments at fair value	8		(1.540.179)	1.523.769
Net gain on foreign exchange differences			197.569	13.016
Other income			155.829	681.098
Total income		US$	30.771.335	33.465.154
Costs and expenses:				
Operating costs - crops	19		34.637	79.003
Operating costs - production and management of banana plantation	20		10.653.334	8.904.281
General and administrative expenses	21		18.380.187	17.196.582
Supplies, spare parts and accessories			2.000.354	1.685.129
Finance costs			22.948	41.385
Expense for allowance for doubtful accounts	9		330.147	218.356
Donations and other expenses			1.138.627	1.258.254
Total costs and expenses			32.560.234	29.382.990
(Deficit) excess of income over costs and expenses			(1.788.899)	4.082.164
Surplus from revaluation of property			-	174.160
Net assets at beginning of year			54.014.588	49.758.264
Net assets at end of year	17	US$	52.225.689	54.014.588

The notes on pages 1 to 54 are an integral part of these consolidated financial statements.

AGRICULTURAL UNIVERSITY OF THE HUMID TROPICAL REGION (EARTH) AND SUBSIDIARY
(Limón, Costa Rica)

Consolidated Statement of Cash Flows
(In US dollars)

For the year ended December 31, 2022
(With corresponding figures for 2021)

	Note		2022	2021
Cash flows from operating activities:				
Excess of income over costs		US$	(1.788.899)	4.082.164
Adjustments:				
Depreciation	11		1.219.824	1.281.306
Amortization of software and educational books			27.350	32.076
Allowance for doubtful accounts	9		330.089	218.356
Allowance for valuation of inventory			(348)	(862)
Disposal of machinery, furniture and equipment	11		845.013	184.725
Reversal of provisions			246.416	(138.846)
Net gain on valuation of financial instruments at fair value	8		1.540.179	(1.523.769)
(Gain) net loss due to change in fair value of biological assets	12		(354.964)	(3.567)
Disposal of forest plantations	12		-	296.771
Interest income, net			(269.820)	(293.968)
Amortization of deferred income			(16.752.453)	(24.214.607)
			(14.957.613)	(20.080.221)
Changes in:				
Accounts receivable			(1.015.901)	(130.886)
Inventories			(45.061)	(69.902)
Prepaid expenses			(10.019)	(25.587)
Accounts payable			(1.099.029)	1.310.378
Deferred income			17.055.134	23.353.064
Severance benefits			126.608	37.302
Other liabilities			(204.131)	83.592
Cash flows from operating activities:			(150.012)	4.477.740
Interest paid			(20.554)	(41.385)
Interest collected			252.204	309.823
Net cash from operating activities			81.638	4.746.178
Cash flows from investing activities:				
Acquisition of financial investments			(42.087.419)	(56.604.851)
Liquidation of financial investments			43.221.654	55.555.417
Educational books			7.881	(4.428)
Acquisition of vehicles, plantations, machinery, furniture, equipment and software	11		(2.038.111)	(2.235.039)
Net cash used in investing activities			(895.995)	(3.288.901)
Cash flows from financing activities:				
Settlement of obligations with financial entities	13		(84.253)	(601.009)
Net cash used in financing activities			(84.253)	(601.009)
Net (decrease) increase in cash			(898.610)	856.268
Cash at beginning of year			1.820.370	964.102
Cash at end of year		US$	921.760	1.820.370

The notes on pages 1 to 54 are an integral part of these consolidated financial statements.

(1) Reporting entity

The Agricultural University of the Humid Tropical Region (EARTH) and its subsidiary (jointly referred to as "the University") were organized under Law No. 7044 and other laws of the Republic of Costa Rica. The University's main activity is higher education, research and dissemination of knowledge on agricultural science and natural resources in order to contribute toward sustainable development. The University is located in Las Mercedes, Guácimo, Limón, and has a branch in Liberia, Guanacaste.

The University was created through agreements subscribed by the Government of Costa Rica (GOCR), the United States Agency for International Development (USAID) and the University. The main agreements include:

- Agreement between the Government of the United States of America (through USAID) and GOCR, pursuant to Memorandum of Understanding No. 15 (MOU-15), subscribed on November 7, 1984. This agreement describes the University's philosophy, as well as activities that must be executed for its organization.

- Grant Agreement between USAID and GOCR to execute USAID Project No. 596-0129-B, which was subscribed on September 30, 1985 and expired on September 30, 1995. The purpose of this agreement was to grant funds to finance the establishment of a regional agricultural school to create a basis of professional resources with the educational and practical experience necessary to solve the region's agricultural production problems.

The University owns 100% of the equity of the EARTH Student Trust - Financial Aid Program ("PAF Trust," from its name in Spanish). This entity is organized under the laws of the Republic of Costa Rica. The PAF Trust is mainly dedicated to granting loans to students to finance tuition fees. Such loans are to be amortized from the second semester of the year following the student's graduation.

The consolidated financial statements as of December 31, 2022 and 2021, include the financial statements of the University and its wholly owned subsidiary, PAF Trust, (jointly referred to as "the University" and as "the subsidiary").

(Continued)

In order to attain its objectives, the University receives financial support through non-reimbursable contributions and donations from local and international organizations and institutions and from legal entities and individuals. The University also earns income from teaching activities and administrative and logistics support offered for managed projects. With the purpose of generating additional financial resources, the University performs a number of commercial activities, such as growing and harvesting trees, banana, hay and other minor crops, through two independent operating units called the Agrocommercial Guácimo Campus and the La Flor Campus in Liberia, Guanacaste.

(2) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Financial Management on March 9, 2023.

Details of the University's accounting policies are included in Note 6.

(3) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured on an alternative basis on each date of the consolidated statement of financial position:

- Non-derivative financial instruments at fair value through profit or loss are measured at fair value (see Note 26)
- Biological assets are measured at fair value less cost to sell (see Note 12).
- Lands are measured at fair value less any accumulated impairment losses (see Note 11).

(4) Functional and presentation currency

These consolidated financial statements and notes thereto are presented in US dollars, which is the University's functional currency.

(5) Use of estimates and judgments

In preparing these consolidated financial statements according to IFRS, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(i) Judgments

Due to the nature of the University's operations, the application of critical judgments in the determination of accounting policies that may have a significant effect on the amounts recognized in the consolidated financial statements has not been necessary.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties in the allowance as of December 31, 2022, that have a significant risk of resulting in a material adjustment is included in the following notes:

- Note 6-i: Impairment of assets
- Note 12: Determination of the fair value of biological assets based on unobservable inputs.
- Note 27: Recognition and measurement of provisions and contingencies: key assumptions related to the probability and magnitude of cash outflows.

(iii) Measurement of fair values

A number of the University's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The University has an established control framework with respect to the measurement of fair values. Financial Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. Significant variables and valuation adjustments are reviewed periodically. Significant valuation issues are reported to the University's management.

(Continued)

AGRICULTURAL UNIVERSITY OF THE
HUMID TROPICAL REGION (EARTH) AND SUBSIDIARY

Notes to the Consolidated Financial Statements

Significant unobservable inputs and valuation adjustments are reviewed regularly and significant valuation issues are reported to the University's management.

When measuring the fair value of an asset or a liability, the University uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 12: Biological assets

- Note 8: Investment securities

- Note 11: Property, plantations, vehicles, machinery, furniture and equipment

- Note 27: Financial instruments: including additional information about the assumptions made when measuring at fair value.

(Continued)

AGRICULTURAL UNIVERSITY OF THE
HUMID TROPICAL REGION (EARTH) AND SUBSIDIARY

Notes to the Consolidated Financial Statements

(6) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The main accounting policies applied by the University are as follows:

(a) Basis of consolidation

(i) Subsidiary

The subsidiary is an entity controlled by the University. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The University controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements include the financial information of the University (Parent Company) and its subsidiary EARTH Student Trust - Financial Aid Program (PAF Trust) (see Note 1).

(ii) Loss of control

When the University loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

All balances and transactions and any unrealized income and expenses arising from transactions between the entities of the University, are eliminated in the preparation of the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the University at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences arising on translation are recognized in profit or loss.

As of December 31, 2022 and 2021, the buy rates for US dollars established by the Central Bank of Costa Rica (BCCR) are ¢594.17 and ¢601.99 to US$1.00, respectively. This was the exchange rate used by the University's management to value its assets and liabilities in foreign currency as of those dates.

(c) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the University becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income; or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the University changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The University makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash flows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the University's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the University's continuing recognition of the assets.

Financial assets that are held for trading (if any) or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

(Continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the University considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount or contractual cash flows such that it would not meet this condition. In making this assessment, the University considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the University's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual part amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

(Continued)

Financial assets - Subsequent measurement and gains and losses

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at fair value through other comprehensive income	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
Equity investments at fair value through other comprehensive income effect	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

(Continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

(iii) *Derecognition*

Financial assets

The University derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the University neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The University enters into transactions whereby it transfers assets recognized in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial liabilities

The University derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The University also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(iv) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the University currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(v) *Non-derivative financial assets*

The University holds no derivative financial assets to hedge its currency and interest rate risk exposures.

The University classifies non-derivative financial assets into the following categories: cash, financial assets at fair value through profit or loss, financial assets at amortized cost and accounts receivable.

Cash

Cash comprises cash on hand and in banks, demand financial instruments and other highly liquid securities with original maturities of three months or less from the acquisition date that were acquired and are held by the University to generate interest.

Accounts receivable

Accounts receivable are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at the value of the principal plus any directly attributable transaction costs. Subsequent to initial recognition, accounts receivable are measured at cost, less an allowance for doubtful accounts and impairment losses. The value of the principal represents the amount defined when the account receivable was originated, which substantially approximates fair value. The University books a donation receivable and the corresponding income when a written or oral commitment is in effect that is considered unconditional and voluntary and contains no reciprocity requirement.

Allowance for doubtful accounts

The University uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics –geographic region, age of customer relationship and type of product or service.

Loss rates are based on actual credit loss experience over the past 36 months. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the University's view of economic conditions over the expected lives of the receivables.

(d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined as follows: finished goods, supplies and spare parts at average cost and goods in transit at specific invoice cost.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and sale.

(e) Biological assets

Biological assets are measured at fair value lese costs to sell, with any change therein recognized in profit or loss. When there is a market price available, the University uses that market price to determine the fair value of biological assets.

For banana plantations, the fair value measurement is performed using the University's internal mechanisms of the University, considering the fruit's weeks of ripening through an identification process using tapes, the production cost and cutting of the fruit.

(f) Educational books

Educational books are recorded at cost and amortized over their estimated useful lives.

(g) Property, plantations, vehicles, machinery, furniture and equipment

(i) Recognition and measurement

Property, plantations, vehicles, machinery, furniture and equipment are measured at acquisition and/or construction cost less accumulated depreciation and any accumulated impairment losses. Cost includes disbursements directly attributable to the acquisition of the asset.

If significant parts of an item of property, plantations, vehicles, machinery, furniture and equipment have different useful lives, then they are accounted for as separate items of property, plantations, vehicles, machinery, furniture and equipment.

Any gain or loss on disposal of an item of property, plantations, vehicles, machinery, furniture and equipment (calculated as the difference between the proceeds from disposal and the carrying amount of the component) is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) *Depreciation*

Property, plantations, vehicles, machinery, furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Asset	Annual depreciation rate
Buildings	2%
Vehicles, furniture and equipment	25%
Machinery and other equipment	10% and 20%
Computer hardware and software	20%
Plantations	6%
Right of use	7.22%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(iv) *Revaluation*

Subsequent measurement of land is determined by using the revaluation method, which requires measurement of the revaluated amount, i.e. fair value less any accumulated impairment losses. The credit resulting from the revaluation is initially booked as gains on revaluation of assets, under net assets in the consolidated statement of financial position.

(h) Intangible assets – Software

Costs incurred in the acquisition of licenses and implementation of software for internal use are valued at cost less accumulated amortization. Such costs are amortized on a straight-line basis over a maximum of three years from the date the item is first used.

(Continued)

AGRICULTURAL UNIVERSITY OF THE
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Notes to the Consolidated Financial Statements

(i) Impairment

(i) Financial instruments and contract assets

The University recognizes the loss allowance for trade receivables for:

- financial assets measured at amortized cost; and
- contract assets.

The University recognizes loss allowances at an amount equal to lifetime expected credit losses (ECL).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the University considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the University's historical experience and informed credit assessment, that includes forward-looking information.

The University assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The University considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the University in full, without recourse by the University to actions such as realizing a security (if any is held); or
- the financial asset has significant arrears

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the University is exposed to credit risk.

(Continued)

(ii) *Measurement of ECLs*

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that they University expects to receive).

Expected credit losses are discounted at the effective interest rate of the financial asset.

(iii) *Credit-impaired financial assets*

At each reporting date, the University assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the University on terms that the University would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(iv) *Presentation of allowance for ECL in statement of consolidated financial position*

Los allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(v) *Write-offs*

The gross carrying amount of a financial asset is written off when the University has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The University expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the University's procedures for recovery of amounts due.

(Continued)

(vi) *Non-financial assets*

At each reporting date, the University reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Trade and other payables

Trade and other payables are recorded at amortized cost.

(k) Contract liabilities (deferred income)

Cash received in advance for tuition fees and other services to be provided is booked as a deferred liability and recognized as tuition fee income or income from other services in the consolidated statement of activities and changes in net assets as the corresponding academic events are performed.

(Continued)

Advance income mainly corresponds to projects and activities performed jointly with universities abroad, the agreement with MasterCard Foundation and special events performed by the University. It is booked as income when the project, activity or event occurs.

(l) Employee benefits

(i) Defined contribution plans - Severance

Costa Rican legislation requires the payment of severance benefits to employees dismissed without just cause, equivalent to approximately 20 days' salary for each year of continuous service, up to a maximum of eight years.

In February 2000, the *Employee Protection Law* was enacted and published in Costa Rica. Such law modifies the existing severance benefits system and establishes a mandatory supplemental pension plan, thereby amending several provisions of the Costa Rican Labor Code. According to this law, all public and private employers must contribute 3% of monthly employee salaries during the entire term of employment. Contributions are collected through the Costa Rican Social Security Administration (CCSS) and are then transferred to pension fund operators selected by employees. For employees who are members of the Employee Association, the University recognizes a severance expense equivalent to 6.4% of their salaries, of which 3.4% is transferred to the Employee Association and 3% to the Supplemental Pension Fund System. The funds thus transferred are deducted from the final severance benefit calculation in the event of termination of employment.

For employees who are not members of the Employee Association, only 3% of monthly salaries is recorded as an expense and transferred to the Supplemental Pension Fund system. When the University is demonstrably committed to terminate employment, without the possibility of withdrawal, 2.7% is recognized as an expense.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured by the University on an undiscounted basis and are expensed as the service is provided.

Statutory Christmas bonus

Costa Rican legislation requires the payment of one-twelfth of an employee's monthly salary for each month of service. That payment is made to the employee in December, even in the case of dismissal. The University books an accrual each month to cover future disbursements related therewith.

(Continued)

Vacation

Costa Rican legislation entitles employees to two weeks of vacation for each 50 weeks of service. However, the University's internal policies provide 1.5 vacation days to administrative employees after five years and one month of service, and faculty members have two vacation days per month of service since the beginning of the employment relationship. A liability is created for the payment of vacations to employees.

(m) Revenue recognition

Revenue is recognized based on the nature of the originating transactions, as follows:

(i) Donations

Donations from organizations or individuals are recognized on a cash basis, except for donations that are processed through reimbursement requests, which are recognized as the request is filed with the corresponding donating organization. However, when a written or oral commitment is in effect that is considered unconditional and voluntary and contains no reciprocity requirement, the University recognizes such a commitment as a donation receivable against income. Donations received as non-monetary assets are recognized at fair value as received.

(ii) Tuition fees

Tuition fees are booked as earned during the corresponding academic term.

(iii) Sale of bananas and other goods

Sales of bananas and other goods are booked when the risks and rewards of ownership are transferred.

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing involvement by the University with the goods sold and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(iv) *Services to third parties*

Services to third parties are recognized as the services are rendered.

(n) Recognition of costs and expenses

Expenses are booked depending on their nature, as follows:

(i) *Supplies, spare parts, accessories and other*

Expenses for supplies, spare parts, accessories and other are recognized as incurred, i.e. on an accrual basis.

(ii) *Research and development expenses*

Research and development expenses are recognized in the consolidated statement of activities and changes in net assets as incurred.

(iii) *Donation and other expenses*

Donation and other expenses are expenses previously approved by the donor under the agreement made with the University and are related to scholarships and internships, student stipends, equipment and supplies for students who are scholarship recipients under the agreement.

(iv) *Cost of crops*

Cost of crops mainly corresponds to maintenance of banana plantations and other short-term crops. Such costs are recorded as expenses in the period in which they are incurred, i.e. on an accrual basis.

(o) Leases

At inception of a contract, the University assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) *As a lessee*

At commencement or on modification of a contract that contains a lease component, the University allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

(Continued)

The University recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the University by the end of the lease term or the cost of the right-of-use asset reflects that the University will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the University's incremental borrowing rate. Generally, the University uses its incremental borrowing rate as the discount rate.

The University determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- the exercise price under a purchase option that the University is reasonably certain to exercise, lease payments in an optional renewal period if the University is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the University is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the University's estimate of the amount expected to be payable under a residual value guarantee, if the University changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

(Continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(ii) *Short-term leases and leases of low-value assets*

The University has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The University recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(p) Finance income and finance costs

The University's finance income and finance costs include:

- interest income
- interest expense
- bank commissions
- the foreign currency gain or loss on financial assets and financial liabilities.

Interest income or expense is recognized using the effective interest method.

(q) Income tax

Pursuant to Article 16 of Law No. 7044 (*Law to Create the Agricultural University of the Humid Tropical Region*), the University is exempt from taxes, customs duties and surcharges on the import and export of all goods required for education and research programs. Likewise, Article 17 of such a law stipulates that investments made by the institution and income earned in Costa Rica shall be exempt from all taxes and customs duties. Finally, subparagraph ch) of article 3 of the *Income Tax Law* and Article 6 of the Regulations thereto stipulate that not-for-profit entities are not subject to income tax.

The *Tax Simplification and Efficiency Law* (Law No. 8114) amended Article 2 of the *Income Tax Law* (Law No. 7092), including subparagraph h), which grants tax exemption to the University as an entity organized under Law No. 7044 dated September 29, 1986. Accordingly, the University is not required to file an income tax return.

On May 17, 1995, the Government of Costa Rica granted the University overall permanent exemption from the general sales tax and the excise tax on local purchases of goods and services.

(Continued)

On July 1, 2019, Law No. 9635 *Law to Strengthen Public Finances* entered into effect. Subsection 19 of Article 8 of Chapter III of this law establishes that the University is exempt from the payment of Value-Added Tax (VAT) on the assets and services purchased in the national market. In addition, education services provided by the University will be exempt from VAT payment in conformity with subsection 6 (g) article 11 of Chapter IV of the Regulations on the Value-Added Tax Law.

(r) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the University has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the University's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the University measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the University uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the University measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price -i.e. the fair value of the consideration given or received. If the University determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

(Continued)

(s) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the following standards has not early adopted by the University in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the University's consolidated financial statements:

- Deferred income tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12).
- Classification of Liabilities in Current or Non-Current (Amendments to IAS 1).
- Insurance contracts and their modifications (IFRS 17).
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS Practice Paper No. 2).
- Definition of accounting estimates (Amendments to IAS 8).

(7) Cash

Cash is as follows:

		As of December 31, 2022	2021
Petty cash	US$	14,140	5,354
Bank deposits		907,620	1,815,016
	US$	921,760	1,820,370

During 2022, bank deposits bear interest at rates ranging between 0% y 1.45% (2021: between % and 0.40%) per annum in US dollars and at 3.50% (2021: 1.65%) per annum in colones.

(8) Investment securities

Investment securities are as follows:

		As of December 31, 2022	2021
Investment certificates in private banks of Costa Rica in colones, maturing in 2023 (2021: maturing in 2022)	US$	342,496	367,941
Investment certificates in private banks of Costa Rica in US dollars, maturing in 2023 (2021: maturing in 2022)		19,525,163	20,040,163
Portfolio of foreign investments		10,765,226	12,899,195
	US$	30,632,885	33,307,299

During 2022, investment securities bear interest at rates ranging between 1.18% and 7.20% (2021: between 1.18% and 3.40%) per annum in US dollars and 4.41% (2021: 2.64%) per annum in colones.

As of December 31, 2022 and 2021, the University has a share in investment portfolios managed by Fideicomiso de la EARTH, S.A. (the EARTH Trust) and placed through Goldman Sachs. These portfolios comprise different financial instruments, such as investments in shares and investment funds.

The value of the share in the investment portfolios managed by the EARTH Trust is determined on a pro rata basis based on its share in the funds and is, therefore, subject to gains and losses arising from changes in the fair value of the portfolios. During 2022, the University booked a net gain due to changes in the fair value of these investments in the amount of US$1,540,179 (2021: net gain in the fair value of these investments in the amount of US$1,523,769), which was charged to the consolidated statement of activities and changes in net assets.

As of December 31, 2022, the University holds a term certificate of deposit with Banco BAC San José, S.A. in the amount of US$21,879 (2020: US$20,342) renewable on an annual basis and held in custody by the Costa Rican Electric Power and Telephone Company (ICE) as a performance bond for services rendered at the University campus.

(Continued)

Note 26 includes information on the University's exposure to market risk and the measurement of fair value.

The University designated investments as at fair value through profit or loss given that they do not meet the definition and business model for investments at amortized cost and investments at fair value through other comprehensive income.

(9) Accounts receivable

Accounts receivable are as follows:

		As of December 31,	
		2022	2021
Trade (a)	US$	1,103,517	590,512
Scholarship holders		447,755	309,783
Students and graduates (b)		2,633,640	2,462,426
Officials and employees		17,484	9,190
Related parties (Note 23)		101,995	180,645
Interest receivable		71,681	33,507
Other		2,537,411	2,273,287
		6,913,483	5,859,350
Allowance for doubtful accounts		(668,929)	(338,782)
	US$	6,244,554	5,520,568

(a) Trade accounts receivable correspond to the sale of the agricultural product of the banana plantations that the University maintains as part of its biological assets (note 12).

(b) Accounts due from students and graduates include loans granted to students through the PAF Trust. As of December 31, 2022 the balance receivables is US$1,806,931 (2021: US$1,941,159. This loans bear interest at a rate of 10% per annum, with a term of 10 years from the date of graduation with an initial grace period of six months.

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Movement in the allowance for doubtful accounts is as follows:

		As of December 31, 2022	As of December 31, 2021
Opening balance	US$	(338,782)	(1,565,986)
Increase in the allowance		(330,147)	(136,836)
Movement in the allowance for PAF Trust		-	(81,395)
Write-offs		-	1,445,435
Closing balance	US$	(668,929)	(338,782)

Information about the University's exposure to credit and currency risks and impairment losses on trade and other receivables is included in Note 26.

(10) Inventories, net

Inventories are as follows:

		As of December 31, 2022	As of December 31, 2021
Agricultural products	US$	27,650	30,787
General warehouse		212,836	168,218
Packaging materials		112,259	111,036
Agrochemicals, fertilizers and nematicides		25,196	24,703
Cafeteria		43,725	35,341
Spare parts and other		28,470	34,641
		450,136	404,727

(Continued)

(11) Property, plantations, vehicles, machinery, furniture and equipment, net

The property, plantations, vehicles, machinery, furniture and equipment, net, are as follows:

	Note	Land La Flor farm	Revaluation of land	Banana plantations	La Flor hay plantations	Work-in-progress	Infrastructure La Flor farm	Packaging plant and cableway	Machinery and equipment	Office furniture and equipment	Vehicles	Right-of-use San José office	Other	Total
Historical cost:														
Balance as of December 31, 2020	**US$**	8.556.887	6.284.508	2.954.097	40.194	2.434.973	4.646.172	1.489.300	1.402.383	8.546.475	1.897.510	65.420	139.286	38.457.205
Additions		-	174.160	-	-	1.261.307	-	-	93.951	437.670	3.117	41.225	397.768	2.409.198
Disposals		-	-	(111.769)	-	(8.056)	-	-	(29.453)	(79.273)	(151.829)	(65.420)	(116.375)	(562.175)
Transfers		-	-	-	-	(140.434)	-	140.434	-	-	-	-	-	-
Balance as of December 31, 2021		8.556.887	6.458.668	2.842.328	40.194	3.547.790	4.646.172	1.629.734	1.466.881	8.904.872	1.748.798	41.225	420.679	40.304.228
Additions		-	-	-	-	507.594	-	-	91.372	683.175	111.240	-	644.730	2.038.111
Disposals		-	-	-	-	(219.341)	-	-	(9.341)	(125.159)	(52.852)	-	(577.156)	(983.849)
Transfers and ajustments		-	-	-	-	(2.624.928)	2.357.714	80.889	-	154.795	-	-	-	(31.530)
Balance as of December 31, 2022	**US$**	8.556.887	6.458.668	2.842.328	40.194	1.211.115	7.003.886	1.710.623	1.548.912	9.617.683	1.807.186	41.225	488.253	41.326.960
Accumulated depreciation - historical cost:														
Balance as of December 31, 2020	**US$**	-	-	(990.236)	(35.282)	-	(2.289.846)	(1.180.376)	(1.209.451)	(6.879.029)	(1.282.027)	(60.388)	(51.809)	(13.978.444)
Annual depreciation		-	-	(198.231)	(819)	-	(255.327)	(61.699)	(74.191)	(531.301)	(138.146)	(16.421)	(5.171)	(1.281.306)
Disposals		-	-	62.690	-	-	-	-	24.764	73.614	147.342	65.420	3.622	377.452
Balance as of December 31, 2021		-	-	(1.125.777)	(36.101)	-	(2.545.173)	(1.242.075)	(1.258.878)	(7.336.716)	(1.272.831)	(11.389)	(53.358)	(14.882.298)
Annual depreciation		-	-	(174.510)	(819)	-	(256.501)	(54.338)	(70.484)	(515.449)	(127.240)	(13.742)	(6.741)	(1.219.824)
Disposals		-	-	-	-	-	-	-	8.539	98.923	30.822	-	552	138.836
Balance as of December 31, 2022	**US$**	-	-	(1.300.287)	(36.920)	-	(2.801.674)	(1.296.413)	(1.320.823)	(7.753.242)	(1.369.249)	(25.131)	(59.547)	(15.963.286)
Net balance as of December 31, 2021	**US$**	8.556.887	6.458.668	1.716.551	4.093	3.547.790	2.100.999	387.659	208.003	1.568.156	475.967	29.836	367.321	25.421.930
Net balance as of December 31, 2022	**US$**	8.556.887	6.458.668	1.542.041	3.274	1.211.115	4.202.212	414.210	228.089	1.864.441	437.937	16.094	428.706	25.363.674

(Continúa)

As of December 31, 2022, the right of use generated a depreciation expense of US$13,742 (2021: US$16,421).

As of December 31, 2022, the University has work in progress in the amount of US$1,211,110 (2020: US$3,547,784), which correspond to improvements in the infrastructure of the banana packaging plant, works to fight against the Fusarium disease and infrastructure works at both the Guácimo and La Flor campus.

(12) Biological assets

Biological assets are as follows:

		Banana production
Balance as of January 1, 2021	US$	756,220
Changes in fair value		3,567
Balance as of December 31, 2021		759,787
Gain due to changes in fair value		354,963
Balance as of December 31, 2022	US$	1,114,750

As of December 31, 2022, there are 220,228 bananas (corresponding to 410 hectares), at a price of US$5,09 per unit (2021: 220,228 bananas at a price of US$3.45 per unit).

As of December 31, 2022, the measurement of the fair value of banana plantations is carried out through mechanisms at the internal level of the University determined by the present value of the flows that are expected to be generated from the sale of the crop of the biological asset according to the prices agreed at the contractual level taking into account consideration the following parameters:

- Fruit harvest.
- Average price per box (equivalent to a bunch)
- Harvest, packaging, and logistics costs.
- Discount rate of 13.36% (2021: 10.69%).
- Reproductive phase of 12 to 14 weeks.

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(13) Bank loans and other payables

Bank loans and other payables are as follows:

	Collateral		As of December 31, 2022	2021
In US dollars:				
Foreign entity, financing for special activities granted by private US entities, maturing in 2023 and bearing interest at 5% per annum.	Fiduciary guarantee	US$	366,673	437,623
Finance lease of San José offices, bearing interest at 8% per annum, maturing in February 2024			19,722	33,026
		US$	386,396	470,649

As of December 31, bank loans and other payables mature as follows:

2022 Year	Amount	2021 Year		Amount
2023	381,561	2023	US$	66,129
2024	4,834	2024		399,491
2025		2025		5,029
	386,396		US$	470,649

The reconciliation of changes in bank loans and other payables and cash flows from financing activities is as follows:

Balance as of December 31, 2020	US$	1,071,658
Changes in cash flows from financing activities:		
Finance lease liability		38,704
Settlement of bank loans		(639,713)
Total changes in cash flows from financing activities		(601,009)
Balance as of December 31, 2021	US$	470,649
Changes in cash flows from financing activities:		
Settlement of bank loans		(84,253)
Total changes in cash flows from financing activities		(84,253)
Balance as of December 31, 2022	US$	386,396

(14) Accounts payable

Accounts payable are as follows:

		As of December 31,	
		2022	2021
Suppliers	US$	1,108,106	1,382,507
Due to related parties (Note 22)		381,644	125,522
Students' entrepreneurial projects		85,998	97,299
Other		417,669	1,487,120
	US$	1,993,417	3,092,448

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(15) Contract liabilities (deferred income)

Deferred income is as follows:

		As of December 31, 2022	2021
Prepaid tuition and scholarships	US$	5,579,404	4,634,116
Prepaid income - MasterCard Foundation		2,900,172	3,291,439
Funds for special projects		718,132	498,690
Other		4,485	475,266
	US$	9,202,193	8,899,511

(16) Other liabilities

Other liabilities are as follows:

		As of December 31, 2022	2021
Employer-employee withholdings	US$	189,197	148,840
Social security taxes and employee benefits		437,114	328,043
Vacations		492,683	459,119
	US$	1,118,994	936,002

(Continued)

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(17) Net assets

Movement in net assets is as follows:

		Allowance for replacement of equipment	Revaluation surplus	Accumulated excess	Total
Balance as of December 31, 2020	US$	8,449	6,284,508	43,465,307	49,621,075
Total comprehensive income for the year:					
Net excess of income over costs for the year		-	-	4,082,164	4,082,164
Increase for land revaluation (note11)		-	174,160	-	174,160
Balance as of December 31, 2021		8,449	6,458,668	47,547,471	54,014,588
Total comprehensive income for the year:		-	-	(1,788,899)	(1,788,899)
Balance as of December 31, 2022	US$	8,449	6,458,668	45,758,518	52,225,689

(Continued)

(18) Revenue

(a) Revenue streams

The University generates revenue mainly from tuition, donations and the sale of bananas.

		For the year ended December 31,	
		2022	2021
Revenue - tuition and other	US$	30,771,335	33,465,154

(b) Disaggregation of revenue from contracts with customers

The University's revenue, disaggregated by main product lines and services, is as follows:

		For the year ended December 31,	
		2022	2021
Tuition	US$	12,455,955	12,801,957
Donations		5,149,840	5,609,184
Sale of bananas		10,863,667	9,098,722
Services to third parties		2,555,214	3,159,504
Gain on valuation of financial investments at fair value		(1,540,179)	1,523,769
Other		1,286,838	1,272,018
	US$	30,771,335	33,465,154

(c) Services to third parties

The main services provided to third parties are as follows:

		For the year ended December 31,	
		2022	2021
Seminars and special events	US$	256,044	445,692
Recruiting and student preparation		1,785,440	2,332,274
Rental of residences and apartments		292,557	235,384
Cafeteria services		76,206	48,924
Physical plant services		57,137	48,816
Other services		87,831	48,414
	US$	2,555,214	3,159,504

(Continued)

(d) Contract balances

The following table provides information on accounts receivable related to contracts with customers. There are no contract assets.

		December 31, 2022	December 31, 2021
Accounts receivable (Note 9)	US$	4,184,912	3,362,721

		December 31 2022	December 31 2021
Contract liabilities (Note 15)	US$	9,202,193	8,899,511

(e) Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The University recognizes revenue when control over a good or service is transferred to the customer.

The following table presents information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Tuition	Tuition income comes from students and donors, who may be individuals or corporations, local or foreign. Tuition invoices are prepared at the beginning of each term (four-month period) and are paid during that school term.	Tuition income is recognized at the end of each four-month period, when the education service is provided. If the tuition payment has been made and the school term has not ended, it is booked as deferred income (liability).

(Continued)

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Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Donations received	To meet its objectives, the University obtains financial assistance from non-reimbursable donations from national and international organizations and instructions, as well as both individuals and corporations.	Donation revenue comes from donors. The University recognizes the donation revenue if the project for which the money was donated is ready for execution. If the situation for which the money has been donated has not been executed and the donation money is already available, it will be recognized as income until the project or situation is ready for execution. Previously, the money is booked as deferred income (liability). These donations are usually booked as deferred income given that they are donations for tuitions; a percentage of the donation is booked as deferred income as each school term ends.
Sale of bananas	Customers obtain control of the fruit when it is delivered to their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days. No discounts are provided in the sale of fruit given that prices are negotiated in the contracts. The contracts also describe the payment conditions in the event of missing items, defects or situations out of the control of both parties regarding the goods.	Revenue is recognized when the goods are delivered to the customers at their premises.

(Continued)

Type of product/ service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Services to third parties	The University takes advantage of its campus, facilities and equipment to provide various services to third parties, including lodging, meals, rental of apartments, among other, mainly as support to its university extension courses, seminars and institutional events. In addition, since it is an education institution, it provides laboratory analysis services to companies and individuals that require analysis for their research.	Revenue from services to third parties are from individuals and corporations external to the University. This revenue is recognized over time as the services are rendered.

(19) Operating costs - crops

Operating costs - crops derived from agro-entrepreneurship and commercial activities (except those related to banana) are as follows:

		For the year ended as of December 31, 2022	2021
Services from third parties	US$	1,628	27,968
Depreciation		33,009	50,913
Supplies, spare parts and accessories		-	122
	US$	34,637	79,003

(Continued)

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(20) Operating costs - production and management of banana plantation

Operating costs - production and management of banana plantation are as follows:

		For the year ended as of December 31, 2022	2021
Salaries and employee benefits	US$	3,856,238	3,805,809
Supplies, fertilizers and agrochemicals		4,312,882	3,375,675
Services received from third parties		159,623	159,288
Sigatoka disease control		996,362	953,589
Depreciation		279,641	304,891
Transportation services		313,765	126,142
Professional fees		68,930	63,821
Spare parts and accessories		42,332	55,679
Other		623,561	59,387
	US$	10,653,334	8,904,281

(21) General and administrative expenses

General and administrative expenses are as follows:

		For the year ended as of December 31, 2022	2021
Salaries and employee benefits	US$	11,419,852	11,210,970
Professional fees		1,188,730	1,005,004
Services from third parties		1,349,664	1,169,733
Support to EARTH University Foundation		1,527,735	1,353,776
Travel and transportation services		1,014,122	752,266
Depreciation and amortization		934,811	957,578
Communications, publications and meetings		346,893	252,659
Insurance		231,738	211,874
Other		366,700	282,722
	US$	18,380,245	17,196,582

(Continued)

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(22) Balances and transactions with related parties

Balances and transactions with related parties are as follows:

		As of December 31, 2022	2021
Balances			
Accounts receivables: (a)			
Accounts receivable from operations	US$	101,955	180,645
Accounts receivable – donations	US$	201,439	201,336
Accounts receivable from sale of products	US$	1,995	80,645
Accounts payables: (b)			
Accounts payable	US$	381,644	125,522
Fundraising	US$	382,004	124,952
Transactions:			
Sale of products (a)	US$	62,281	410,994
Donation income Trust EARTH (b)		891,225	2,897,000
	US$	953,506	3,307,994
Expenses (b)			
Fundraising	US$	1,527,735	1,353,776
Salaries		1,035,475	1,025,324
	US$	2,563,210	2,379,100

(a) The University sells some of its products to a related company for marketing, at the same time it receives cash donations from these companies.

(b) Accounts payable and expenses with other related parties correspond to the support received from EARTH University Foundation (EUF), which aids the University's educational vision through fundraising. The EARTH Trust makes donations to the University as needed.

The land and buildings of the University's campus in Guácimo are owned by the EARTH Trust. The University entered into an agreement with EARTH Trust whereby it has permanent usufruct rights on that property.

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(23) Memoranda accounts

The balance of this account in US dollars is detailed as follows:

		As of December 31,	
		2022	2021
Opening balance	US$	46,011	-
Transfers made		2,039	46,011
Closing balance	US$	48,050	46,011

(24) Agreements subscribed

(a) Agreement between the University and the EARTH Trust

Given that the land where the University's facilities are located is owned by the EARTH Trust, in July 1987 and December 1988, the University and the EARTH Trust subscribed an agreement for the use of such land in conformity with the objectives defined for the project, which established that the University would be responsible for the maintenance and conservation of such property.

(b) EARTH Student Trust – Financial Aid Program (PAF Trust)

The University has subscribed a trust agreement with BAC San José, S.A., entitled "EARTH Student Trust – Financial Aid Program". The main objective of such a trust is to finance the tuition of Central American students, in conformity with conditions established by the University.

The equity of the trust assumes any credit risks and, therefore, all amounts debited should be settled by the trust if the student defaults. The accounting records of the trust are kept in US dollars and consolidated with the University's financial statements (see Note 1).

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(c) Non-reimbursable Technical Cooperation No. ATN/ME-18661-CR

Project name: New Abilities for the Agriculture of the Future.
Source of financing: Multilateral Investment Fund (IDB Lab).
Contribution: US$400,000
Contribution: US$400,000
Total budget amount: US$800,000

As of July 1, 2021, the International Development Bank (IDB) and the Agricultural University of the Humid Tropical Region (EARTH) subscribed an agreement to finance the New Abilities for the Agriculture of the Future project.

As of December 31, 2021, the execution of the funds contributed by IDB and the local counterparty is as follows:

a) Investments made within the technical cooperation framework.

Accumulated amount at the year close (December 31, 2022)

Components as per contract/agreement		IDB	Local contribution
Component I: AgTech Bootcamp	US$	62,465	25,758
Component II: Strategic alliances and communication		35,378	-
Management		-	42,683
Total	US$	97,843	68,441

Accumulated amount at the previous year close (December 31, 2021)

Components as per contract/agreement		IDB	Local contribution
Component I: AgTech Bootcamp	US$	4,977	78,210
Component II: Strategic alliances and communication		-	31,534
Total	US$	4,977	109,744

(Continued)

b) Reconciliation of IDB records and real existence of funds.

Movements		Amount
Balance at beginning of year	US$	14,293
Income from disbursement:		
Disbursement #2		70,560
Disbursement + initial balance		84,853
Outflows for payments made		97,843
Balance at end of year	US$	(12,990)

The amount of US$12,990 corresponds to balances pending reimbursement by the IDB, in addition there are accounts in reserves for social charges for US$5,247 (2021: US$14,293)

(25) Special laws and regulations related to banana activities

Banana activities in Costa Rica are subject to special laws and regulations summarized below:

(a) Banana export prices

The Government of the Republic of Costa Rica sets minimum export prices per box of bananas (adjusted based on destination). During 2022 and 2021, the average export price is US$8.36 per 18.14 kg box in accordance with Law No. 42112-MEIC-MAG-COMEX.

(b) National Banana Corporation Law

The *Law to Create the National Banana Association* (renamed in 1990 as the National Banana Corporation) granted banana producers starting May 15, 1991 and for 15 years an exemption from customs duties on the import of materials necessary to maintain and exploit plantations (except vehicles and trucks).

Additionally, such a law establishes that banana purchasers or traders should withhold US$0.05 from producers for each box of bananas exported and transfer such amount to the National Banana Corporation to cover maintenance and operating expenses.

(Continued)

Banana Export Tax Law

In 1974, Law No. 5515 enacted by the Government of Costa Rica established a tax on each box of exported bananas. As of 2022 and 2021, such a tax amounts to US$1.00.

Starting March 3, 1998, the University is entitled to exemption from banana export duties and the taxes derived from the *National Banana Corporation Law*, pursuant to Decision No. 32-98 issued by the General Finance Directorate based on Law No. 5515 of April 19, 1974, in conformity with the *General Agreement for Economic and Technical Assistance for Common Purposes between the Government of Costa Rica and the Government of the United States of America* (Law No. 3011 of July 18, 1962) and the *Law to Create the Agricultural University of the Humid Tropical Region* (Law No. 7044).

(26) Financial instruments – risk management and fair values

The University's financial instruments are as follows:

	Note		As of December 31, 2022	2021
Financial assets:				
Cash	7	US$	921760	1,820,370
Investment securities	8		30,632,885	33,307,299
Accounts receivable	9		6,244,554	5,520,568
		US$	37,799,189	40,648,237
Financial liabilities:				
Bank loans and other payables	13	US$	386,396	470,649
Accounts payable	14		1,993,417	3,092,448
Other liabilities	16		1,118,994	936,002
		US$	3,498,807	4,499,099

Financial risk management

The University has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information regarding the University's exposure to each of the aforementioned risks and the goals, policies and procedures to measure and manage risk.

Risk management framework

The Financial Vice-presidency of the University monitors and manages financial risks related to the University's operations through internal reports on exposures to different risks. Such risks include credit risk, interest rate risk, liquidity risk and currency risk.

The University minimizes those risks through an Investment Committee, which reviews the performance of such risks at least once a month and authorizes the Treasury in-charge to make investments based on the information obtained. In order to ensure that safe investments are made, the University has a restriction on the types of financial instruments used.

The Financial Vice-presidency reports to the Financial Committee of the board of directors. Such a committee recommends actions based on the financial analyses performed and results assessed in meetings held twice a year.

Credit risk

Credit risk is the risk of financial loss to the University if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the University's accounts receivable from students and graduates.

The University has policies in place for granting credit. Exposure to credit risk is monitored on an ongoing basis by considering borrower's payment behavior. Credit evaluations consider the borrower's creditworthiness, credit history and references. If required, an allowance for doubtful accounts is booked. The University does not require collateral for financial assets.

Due to the application of IFRS 9, to measure the ECLs of trade receivables, the University uses an allowance matrix for exposures of accounts receivable, based on characteristics including aging, geographic region, age of customer relationship and type of product or service.

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Maximum exposure to credit risk is represented by the carrying amount of each financial asset, mainly accounts receivable. Accounts receivable are aged as follows:

		As of December 31,	
		2022	2021
Current	US$	975,292	696,114
1-30 days		235,713	54,773
31-60 days		41,454	11,948
61-90 days		245,588	167,596
More than 91 days		5,415,436	4,928,920
Total	US$	6,913,483	5,859,350

Movement in the allowance for doubtful accounts is as follows:

		As of December 31,	
		2022	2021
Current	US$	-	-
1-30 days		-	-
31-60 days		-	-
61-90 days		-	-
More than 91 days		668,929	338,782
Total	US$	668,929	338,782

Fair value estimates for the portfolios managed by the EARTH Trust are made at a particular date based on market estimates and financial information on the instruments. Except for cash and hedge funds, which represent approximately 10% of the total portfolio, investments are held in different funds which stock is continuously traded in public liquid markets in the United States of America. These estimates involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision, particularly in the case of hedge funds.

All listed equity investments of the University are registered on regulated stock exchanges. For investments classified at fair value with changes in results, the impact on results and equity of the increase in 2% in their market values at the reporting date would have represented an increase of approximately US$612,658 (US$666,146 in 2021). The same change in the opposite effect would have decreased the result of the results and the equity in approximately US$612,658 (US$666,146 in 2021).

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Liquidity risk

Liquidity risk is the risk that the University will encounter difficulty in meeting its financial obligations when they mature.

The University is exposed to liquidity risk. Accordingly, management has established a plan to meet short-, medium- and long-term funding requirements. Liquidity risk is managed by maintaining adequate cash flows in the University's bank accounts and investments. Budget execution, cash flows and maturities of financial assets and liabilities are monitored on an ongoing basis.

The University's financial assets and liabilities mature as follows:

		Maturing in 2022			
		1 to 6 months	6 to 12 months	More than one year	Total
Financial assets:					
Cash	US$	921,760	-	-	921,760
Investment securities		15,991,431	3,876,227	10,765,227	30,632,885
Accounts receivable		2,089,753	225,950	4,597,781	6,913,484
		19,002,944	4,102,177	15,363,008	38,468,129
Financial liabilities:					
Bank loans and other payables		25,769	355,793	4,834	386,396
Accounts payable		1,473,921	163,304	356,192	1,993,417
		1,499,690	519,097	361,026	2,379,813
Excess of assets over liabilities	US$	17,503,254	3,582,990	15,002,072	36,088,316

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		Maturing in 2021			
		1 to 6 months	6 to 12 months	More than one year	Total
Financial assets:					
Cash	US$	1,820,370	-	-	1,820,370
Investment securities		17,395,463	2,686,500	13,225,337	33,307,300
Accounts receivable		1,480,940	72,999	4,305,411	5,859,350
		20,696,772	2,759,499	17,530,748	40,987,020
Financial liabilities:					
Bank loans and other payables		(23,880)	(24,612)	(422,157)	(470,649)
Accounts payable		(2,731,633)	(255,531)	(105,284)	(3,092,448)
		(2,755,513)	(280,143)	(527,441)	(3,563,097)
Excess of assets over liabilities	US$	17,941,259	2,479,356	17,003,307	37,423,922

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates, or equity prices – will affect the University's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Interest rate risk

Interest rate risk is the risk that the market value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The University holds investments at fair value and liabilities with floating interest rates; accordingly, it is subject to fluctuations in interest rates, which is considered normal. Investments and liabilities are acquired at market rates.

(Continued)

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Exposure to interest rate risk

The interest rate risk of the University's financial instruments is as follows:

		December 31,	
		2022	2021
Fixed rate instruments:	US$		
Accounts receivable PAF Trust		433,212	1,941,159
Investment securities		14,725,092	17,120,088
	US$	15,158,304	19,061,247

		December 31,	
		2022	2021
Variable rate instruments:	US$		
Bank loans and other receivables		386,396	470,649
Investment securities		15,907,793	16,187,211
	US$	16,294,189	16,657,860

(ii) *Currency risk*

The University conducts transactions in foreign currency; accordingly, it is exposed to the risk of fluctuations in the exchange rate.

Since the University's income and expenses are mainly denominated in US dollars and colones, respectively, the strengthening or weakening of the colon with respect to the US dollar in Costa Rica occurring since late 2006 have caused variations, mainly in the University's budget. The University's management keeps track of variations in the exchange rate to take immediate actions in the event of significant fluctuations.

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Monetary assets and liabilities denominated in local currency (colones) are as follows:

			As of December 31, 2022		
	Note		US$ dolar	Colones	Total
Cash	7	US$	757,503	164,257	921,760
Investment securities	8		30,290,389	342,496	30,632,885
Accounts receivable	9		3,446,197	2,798,357	6,244,554
Accounts payable	14		(1,323,117)	(670,300)	(1,993,417)
Accrued expenses			(315,547)	(803,447)	(1,118,994)
		US$	33,424,354	1,831,363	35,255,717

			As of December 31, 2021		
	Note		US$ dolar	Colones	Total
Cash	7	US$	1,756,074	64,296	1,820,370
Investment securities	8		32,939,358	367,941	33,307,299
Accounts receivable	9		3,066,455	2,454,113	5,520,568
Accounts payable	14		(2,342,943)	(749,505)	(3,092,448)
Accrued expenses			(263,128)	(672,874)	(936,002)
		US$	35,155,816	1,463,971	36,619,787

Sensitivity analysis - currency risk

The sensitivity analysis for a weakening or strengthening of the exchange rate is presented below. Management used a sensitivity rate of 4%, which represents the best estimate of the exchange rate variation.

As a result of transactions in foreign currency and the valuation of monetary assets and liabilities denominated in foreign currency, during the year ended as of December 31, 2022, a net gain was recognized for exchange differences in the amount of US$197,569 (2021: US$13,016) which is presented in results.

(Continued)

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Sensitivity to a strengthening of the exchange rate

		As of December 31, 2022	As of December 31, 2021
Net position (assets over liabilities)	¢	1,088,140,901	935,565,880
In US dollars at the closing exchange rate	US$	1,831,363	1,463,972
Strengthening of 4% in the exchange rate		1,760,926	1,407,665
Gain	US$	70,437	56,307

Sensitivity to a weakening of the exchange rate

		As of December 31, 2022	As of December 31, 2021
Net position (assets over liabilities)	¢	1,088,140,901	935,565,880
In US dollars at the closing exchange rate	US$	1,831,363	1,463,972
Weakening of 4% in the exchange rate		1,907,670	1,524,971
(Loss)	US$	(76,307)	(60,999)

Fair value of financial instruments

Fair value estimates are made at a specific date, based on relevant market information and information concerning the specific characteristics of the financial instruments. These estimates do not reflect any premium or discount that could result from offering for sale a particular financial instrument at a given point in time. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Estimates could vary significantly if changes are made to those assumptions.

The following assumptions, where practical, were used by management to estimate the fair value of each class of financial instruments in the consolidated statement of financial position:

(i) Cash, accounts receivable, accounts payable and accrued expenses

The carrying amounts approximate fair value because of the short maturity of these instruments.

(Continued)

(ii) Investment securities

As of December 31, financial instruments by fair value hierarchy are as follows:

		2022		
		Level 1	Level 2	Total
Investment securities	US$	10,765,227	19,867,658	30,632,885

		2021		
		Level 1	Level 2	Total
Investment securities	US$	12,899,195	20,408,104	33,307,299

The chart above analyzes financial instruments at fair value by a valuation technique. Fair values are categorized into different levels as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or the liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

(iii) Bank loans and other payables

As of December 31, 2022, the fair value measurement of bank loans and other payables in the amount of US$386,043 (2021: US$450,847) has been classified as Level 2 since it is determined through the discounted cash flow technique. This technique considers the present value of net cash flows to be disbursed. Cash flow projections were made considering the maturity of liabilities using a market discount rate.

(Continued)

(27) Legal proceedings

(a) Labor lawsuits

(i) As of December 31, 2022 and 2021, the University was defendant in several labor lawsuits filed by former employees, amounting to a total of US$3,448,158 and US$1,305,375, respectively.

(ii) In 2018, the Costa Rican Social Security Administration (C.C.S.S) requested the payment of US$1,050,765, corresponding to five administrative proceedings for failure to insure employees and payroll reporting. The University signed, under protest, a payment arrangement for a term of 36 months, since it believes that it is exempt from social security charges considering that it is a “parafiscal tax”; in 2021, the University readjusted this agreement, when other charges were presented, and signed a new 48-month term agreement for an amount of US$1,120,106. The legal counsel considers that the University’s position has favorable aspects, based on a ruling by the Attorney General’s Office.

Therefore, a process was filed for violations of the Law of the Costa Rican Social Security Administration against the Agricultural University of the Humid Tropical Region in the misdemeanor court of Guacimo under file No. 17-000060-1546-LA, in the first instance judgment the lawsuit in favor of EARTH was declared inadmissible, for the year 2022 it is at the judgment of second instance awaits for a pending unconstitutionality action to be resolved. As of December 31, 2022, the balance recorded in accounts receivable for the disbursement made under protest is US$2,425,506 (2021: US$2,170,074).

(b) Precautionary measures against brands

Legal proceedings were filed requesting atypical precautionary measures against the University and other company with the Agrarian Court of the Second Judicial Circuit of San José, as recorded in file No.10-000068-0689-AG. An ordinary complaint was subsequently filed; accordingly, the ordinary proceedings between the same parties is included in the aforementioned file.

In November 2010, the Court ordered precautionary measures against the other company and the University involving the prohibition to use brands allegedly owned by the plaintiff and suspending the ecological seal program.

Also, the same file includes an ordinary complaint filed by the plaintiff in March 2011 due to an alleged violation of intellectual property rights. The legal action requests that the defendants be prohibited from operating programs such as the ecological seal program and claims compensation for damages. This legal action is estimated at US$1,150,000.

The file was, consequently, appealed in the Agrarian Tribunal, which heard the appeal and petition to nullify. The appeal was dismissed on May 31, 2012; accordingly, the Agrarian Tribunal ruled that the Agrarian Court would hear the legal action.

In another decision issued on May 31, 2012, the Agrarian Tribunal upheld the petition to nullify filed by plaintiff's legal counsel against the ruling ordering precautionary measures, alleging it was groundless. Similarly, the Agrarian Tribunal ruled that, when a new decision is handed down in respect of the precautionary measures, the Agrarian Court should also hear the proceedings filed by the University in respect of the non-compliance with the *Law of Procedures of Observance of the Intellectual Property Rights*.

On June 20, 2013, the main file included a statement from the company's proxy concerning the precautionary measures requested by the plaintiff, claiming that one year has transpired since the annulment of the precautionary measures and the plaintiff has filed no action. Accordingly, there is no evidence of a reason for a delay in the proceedings. A statement in respect of the precautionary measures was made in the file on June 24, 2013.

On August 22, 2013, the University filed a written request to abandon the process since the plaintiff has not filed proceedings for a term longer than that prescribed by law. On December 2, 2013, the Agrarian Tribunal granted the plaintiff three days to refer to the declarations of the co-defendants related to abandonment of the process.

On December 9, 2013, the plaintiff presented a document rejecting the arguments filed by the co-defendants in connection with the abandonment of the process and requested that the Court issue a decision in respect of the precautionary measures and the continuance of the main proceedings.

On January 30, 2014, the Court notified the plaintiff of the statement filed by the Credomatic's proxy. At a hearing held on February 20, 2014, the plaintiff expressed its interest in the precautionary measures and the risk of a delay in the proceedings.

(Continued)

On March 26, 2014, the Credomatic's proxy presented another document expressing that the hearing granted was not answered timely and in due form and that, given the lack of interest, the process should be declared abandoned.

Since March 31, 2014, a final ruling is pending. In the opinion of management and legal counsel, the University is not expected to make any payments in connection with this case.

The lawyers estimate that the position of the University in this litigation is solid and that the chances of a negative stay are slim. As of December 31, 2022, the process remains ongoing, however, their opinion it is there is no possibility of modify the resolution in favor of the University given in the first instance, by being prohibited by law.