



Price Waterhouse
101, Bd. Massira Al Khadra
20100 Casablanca – Maroc



HIGH ATLAS FOUNDATION

**INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021**

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**TO THE BOARD OF DIRECTORS
HIGH ATLAS FOUNDATION**

**INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021**

Opinion

We have audited the accompanying financial statements of High Atlas Foundation which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of High Atlas Foundation as of December 31, 2021, and the change in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in the United States of America. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our responsibilities under those standards are further described in the « Auditors' Responsibilities for the Audit of the Financial Statements » section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1st, 2021 to the date of our report and specifically we did not provide any other services to High Atlas Foundation.

Management responsibilities

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Morocco. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Report on summarized comparative information

The prior year summarized comparative information has been derived from the Foundation's 2020 financial statements and in our report dated April 8th, 2021, we expressed an unqualified opinion on those financial statements.

Casablanca, September 5th, 2022

Price Waterhouse

Price Waterhouse
207, rue Mohammed VI - 20200 Casablanca
Tél: 05 22 78 90 00 / 05 22 78 90 01
Fax: 05 22 78 90 00 / 05 22 31 30 91
L.F. 195 - R.C: 34533 - CNSS: 1018620
ICE: 090230842000001

A. Bidah
Partner

Transatlantic CPA Group

TRANSATLANTIC CPA GROUP
111 Angle Bd Abdelmoumen
et rue Van Zeeland, étg 7
Casablanca
ICE: 091836369000072

Mohammed Jamal Eddine Rabah
Partner

HIGH ATLAS FOUNDATION

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

(Expressed in US dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current assets			
cash and cash equivalents		1 481 549	288 862
inventories	2.3 & 3	<u>260 033</u>	<u>327 647</u>
		<u>1 741 582</u>	<u>616 509</u>
Fixed assets			
property, plant and equipment		28 551	21 080
less: accumulated depreciation		<u>(17 924)</u>	<u>(13 078)</u>
	2.2&4	<u>10 627</u>	<u>8 002</u>
Total assets		<u>1 752 209</u>	<u>624 511</u>
LIABILITIES AND NET ASSETS			
Current liabilities			
accounts payable and other current liabilities	5	<u>15 207</u>	<u>6 730</u>
		<u>15 207</u>	<u>6 730</u>
Noncurrent liabilities			
long term loan	6	<u>1 408 100</u>	<u>150 000</u>
		<u>1 408 100</u>	<u>150 000</u>
Total liabilities		<u>1 423 307</u>	<u>156 730</u>
Net Assets – unrestricted -	2.6	<u>328 902</u>	<u>467 781</u>
Total liabilities and Net Assets		<u>1 752 209</u>	<u>624 511</u>

The accompanying notes form part of these financial statements.

HIGH ATLAS FOUNDATION**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021**

(Expressed in US dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	(138 879)	173 038
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Equity adjustments	-	242
Depreciation	<u>4 846</u>	<u>3 822</u>
	(134 033)	177 102
<u>change in:</u>		
inventories	67 614	(296 608)
current liabilities	<u>8 477</u>	<u>(3 180)</u>
	(57 942)	(122 686)
Cash flows from financing activities		
Receipt	1 258 100	150 000
Cash flows from investing activities		
Capital expenditure	<u>(7 471)</u>	<u>(6 012)</u>
increase in cash and cash equivalents	1 192 687	21 302
cash and cash equivalents, beginning of the year	<u>288 862</u>	<u>267 560</u>
cash and cash equivalents, end of the year	<u>1 481 549</u>	<u>288 862</u>

The accompanying notes form part of these financial statements

HIGH ATLAS FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in US dollars)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
INCOME			
grants support and other public contributions	7	1 080 998	861 129
individual donations	8	259 903	129 171
Program realization income	9	120 455	28 175
miscellaneous income		<u>1 438</u>	<u>1 633</u>
		1 462 794	1 020 108
Change in inventories		<u>(67 614)</u>	<u>296 608</u>
Total income		<u>1 395 180</u>	<u>1 316 716</u>
EXPENSES			
Program services		1 044 097	781 040
Supporting services		<u>417 918</u>	<u>362 638</u>
Total expenses		<u>1 462 015</u>	<u>1 143 678</u>
Excess(deficit) of income over expenses		(66 835)	173 038
NON-OPERATING REVENUE, GAIN AND LOSSES			
Exchange losses		(39 052)	-
Other exceptional losses	15	(39 647)	-
Miscellaneous losses		(74)	
Exceptional gains	16	<u>6 729</u>	<u>-</u>
		<u>(72 044)</u>	<u>-</u>
Change in net assets		<u>(138 879)</u>	<u>173 038</u>
Net Assets – unrestricted- Beginning of the Year			
		467 781	294 501
Net assets adjustments		<u>-</u>	<u>242</u>
		<u>467 781</u>	<u>294 743</u>
Net Assets unrestricted- -End of the Year		<u>328 902</u>	<u>467 781</u>

The accompanying notes form part of these financial statements.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in US Dollars)

		<u>December 31, 2021</u>			<u>December 31, 2020</u>		
		Supporting services					
		<u>Program</u> <u>services</u>	<u>Management</u> <u>and general</u>	<u>Fund</u> <u>raising</u>	<u>Total</u> <u>supporting</u> <u>services</u>	<u>Total</u> <u>expenses</u>	<u>Total</u> <u>expenses</u>
	<u>Notes</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Salaries and related expenses	10	329 427	300 170	-	300 170	629 597	411 532
Operations expenses	11	464 787	16 146	-	16 146	480 933	478 526
Travel expenses	12	82 668	10 964	-	10 964	93 632	66 621
Professional services	13	43 428	33 519	-	33 519	76 947	48 103
Facilities		509	16 241	-	16 241	16 750	18 614
Computer and internet expenses		324	2 217	-	2 217	2 541	3 734
Telephone and communications		2 852	4 930	-	4 930	7 782	6 655
Insurance		3 472	8 457	-	8 457	11 929	8 320
Postage and mailing services		116	129	-	129	245	482
Due and subscriptions		277	9 027	-	9 027	9 304	12 981
Depreciation		-	4 846	-	4 846	4 846	3 821
Interest expenses		-	8 027	-	8 027	8 027	-
Bank fees		1 762	3 099	-	3 099	4 861	2 876
Support for cooperatives	14	114 475	98	-	98	114 573	78 453
Miscellaneous expenses		-	48	-	48	48	2 960
Total expenses		<u>1 044 097</u>	<u>417 918</u>	<u>-</u>	<u>417 918</u>	<u>1 462 015</u>	<u>1 143 678</u>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2021**

(All figures expressed in US Dollars)

1. Activities

High Atlas Foundation is a Moroccan association and an U.S. 501(c) (3) nonprofit organization founded in September 2000 by former Peace Corps Volunteers. Its purpose is to assist communities in Morocco with the creation of sustainable human development capabilities, to promote the sustainable and wide use of natural resources and to foster the development of leadership and social capital.

Its revenues are composed of grants and other contributions made by US and other governmental entities or private organizations as well as individual and local donors.

2. Summary of significant accounting policies**2.1 Income**

Grants and public support revenue represent contributions received by the Foundation. These contributions are recognized as revenue in its statement of activities of the year of their perception.

A number of the Foundation activities are supported by cost reimbursable grants. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. There were no temporarily restricted contributions in the year ending December 31, 2021.

2.2 Fixed assets

Property, plant and equipment are recorded at cost reduced by accumulated depreciation. Depreciation is provided based on estimated related tax lives of the assets.

2.3 Inventories

Inventories consists of fruit tree saplings held for distribution or sale at no or nominal consideration as part of the Foundation charitable activities.

Trees inventories are valued at cost (materials, labor, transportation, ...) relating to all activities regarding planting, sowing, reforestation and care of fruit trees saplings among the different HAF nurseries.

HIGH ATLAS FOUNDATION**2.4 Income taxes**

The Foundation is recognized in Morocco as a nonprofit Association and is tax exempted for any tax. The Foundation is also exempted in USA from Federal and State income taxes under Internal Revenue Code Section 501 (c) (3) in USA.

Accordingly, no provision has been made for income taxes in these financial statements.

2.5 Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates.

2.6 Net assets released from restrictions

There were no temporarily restricted contributions received and allocated during 2021.

2.7 Currency translations

The financial statements of the Foundation are maintained in US dollars. Assets and liabilities expressed in Moroccan Dirhams and other currencies are translated in US dollars at the financial statements closing date rate.

Transactions expressed in Moroccan Dirhams are translated into US dollars at the rate ruling on the first day of the month of the transaction. Exchange differences arising on translation are charged to the income statement.

2.8 Functional allocation of expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function.

3. Inventories

	<u>2021</u>	<u>2020</u>
Fruit trees inventory	<u>260 033</u>	<u>327 647</u>

Inventories consists of fruit tree saplings held for distribution or sale.

HIGH ATLAS FOUNDATION

Decrease in fruit tree inventories as of December 31, 2021, in comparison with 2020-year end is mainly due to the progress, during the year, of programs of sales of trees made as part of the implementation of the agreement concluded with ECOSIA GmbH in November 2019. Income from trees' sales amount to US\$ 120 455 in 2021 whilst amounting US\$ 28 175 in 2020 (see note 9: Program realization income).

4. Property, plant and equipment

	<u>2021</u>	<u>2020</u>
Cost		
Computer equipment	11 243	6 012
Other equipment	<u>17 308</u>	<u>15 068</u>
	28 551	21 080
Depreciation	<u>(17 924)</u>	<u>(13 078)</u>
Net book value	<u>10 627</u>	<u>8 002</u>

5. Accounts payable and other current liabilities

	<u>2021</u>	<u>2020</u>
Account payable	<u>15 207</u>	<u>6 730</u>

Breakdown of this account is as follows for the year as of December 31, 2021:

Description	
SBA loan accrued interest (a)	8 027
Contributions to social bodies (b)	7 180
Total	<u>15 207</u>

- (a) See Note 6.
- (b) The correspondent amount relates to the Moroccan Social Security body 'contributions relating to December 2021 and subsequently paid in January 2022.

6. Long term loan

	<u>2021</u>	<u>2020</u>
Small Business Administration loan	<u>1 408 100</u>	<u>150 000</u>

On June 2020, the US Small Business Administration (SBA) authorized a loan amounting US\$ 150 000. This initial amount of loan has been updated to US\$ 500 000 by August 2021. The final update of the loan to \$1,408,100 occurred on October 27, 2021. The loan supports prior planned activities in community-based fruit tree agriculture and monitoring trees for carbon offset credits.

Interests will accrue at the rate of 2,75% per annum and will accrue only on funds actually advanced from the date (s) of each advance.

- accrued interest for the year are detailed as follows:

Loan proceeds	Starting date	Accrued interest 2021
150 000	01/01/2021	4 125
350 000	09/01/2021	3 208
908 100	12/20/2021	694
1 408 100		8 027

7. Grants support and other contributions

		<u>2021</u>	<u>2020</u>
Grants support	(a)	1 078 433	796 869
Global Giving income	(b)	2 565	55 169
PayPal contribution		-	9 091
		<u>1 080 998</u>	<u>861 129</u>

Breakdown by main donors of grants and other contributions received in 2021 is detailed below:

(a) Grants support

Donors

PUR DEVELOPMENT PTE Ltd	48 599
ECOSIA Gmbh	138 527
US Department of State	103 819
USAID (*)	267 310
GERMANWATCH	96 347
National Endowment Democracy (NED)	54 166
Bureau of Oceans and International Environment and Scientific Affairs (OES)	18 099
European Economic Community	308 398
UNDP	23 841
Others	19 327
	<u>1 078 433</u>

- (*) Disbursement relating to the cost reimbursement contract REMA (see table below) received in April and June 2022 from USAID as reimbursement of allowable expenses incurred by HAF during 2021' last quarter amounts to US \$ 273 304.

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Table below details status as of December 31, 2021, of the multiyear (period over one year) grants approved on behalf the Foundation:

	Period covered	Total amount approved	Amounts received per year				Balance remaining as of 12/31/2021
			2019	2020	2021	Total	
ECOSIA Gmbh (1)	2019 - 2022	515 000	193 787	253 689	138 527	586 003	-
USAID (2)	2019 - 2024	4 179 621	143 086	238 302	267 310	648 698	3 530 923
US Department of State (3)	2020 - 2023	219 962	-	-	103 819	103 819	116 143
USDA	2021 - 2022	50 000	-	-	-	-	50 000
GERMAN WATCH	2019 – 2022	231 870	66 085	20 213	96 347	182 645	49 225
NED	2019 - 2021	100 000	16 667	39 633	54 166	110 466	-
CREDIT AGRICOLE	2019 – 2021	42 000	9 476	20 878	-	30 354	11 646
		5 338 453	429 101	572 715	660 169	1 661 985	3 757 937

- (1) The initial budget approved has been exceeded during 2021 and since that date, and in agreement with ECOSIA Gmbh, HAF is reimbursed on a flat basis of 0,16 euro per tree planted.
- (2) US AID awards are detailed as follows:

Description	Period covered	Total amount approved
F2F / Partners of the Americas	2019 - 2023	1 179 621
REMA	2021- 2024	3 000 000
Total		4 179 621

- (3) US Department of State awards are detailed as follows:

Description	Period covered	Total amount approved
AIEF	2020- 2021	18 170
Techcamp for cultural heritage preservation	2021 – 2023	28 070
Dar America Steam	2021 - 2022	21 002
MEPI	2020 - 2022	152 720
Total		219 962

(b) Global Giving income

Global Giving income relates to donations collected during 2021 through the global crowd funding platform of Global Giving organization.

8. Individual donations

<u>2021</u>	<u>2020</u>
<u>259 903</u>	<u>129 171</u>

Total amount for the year as of December 31, 2021, is composed of numerous individual donations received from various donors whose majors are:

Donors

Bosch college	19 669
Berytech	28 931
Fre Skincare	31 976
Eleos partners	20 000

9. Program realization income

<u>2021</u>	<u>2020</u>
<u>120 455</u>	<u>28 175</u>

Total amount, for the year as of December 31, 2021, relates to income from sales of trees made as part of the implementation of the agreement concluded with ECOSIA GmbH in November 2019. Increase of the related income is explained by the acceleration in the implementation of this project during the year.

10. Salaries and related charges

<u>2021</u>	<u>2020</u>
<u>629 597</u>	<u>411 532</u>

This account is detailed for the year as of December 31, 2021, as follows:

	<u>2021</u>	<u>2020</u>
Moroccan salary expenses	341 077	225 678
Moroccan employment tax and employee benefit expenses	64 897	45 812
US salary expenses	203 176	124 836
US payroll expenses	<u>20 447</u>	<u>15 206</u>
	<u>629 597</u>	<u>411 532</u>

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Increase in salary expenses in 2021 is explained by:

- The development in implementation of important transplantation and reforestation programs needing to resort to additional local nursery supervisors,
- Additional salaries paid in USA for long term contracts in relation with programs that have started during the year; breakdown of those salaries for those new programs is as follows for the year 2021:

Programs involved	<u>Amount</u>
REMA	48 940
SBA (use of the loan proceeds)	13 853

11. Operations expenses

<u>2021</u>	<u>2020</u>
<u>480 933</u>	<u>478 256</u>

This account is detailed for the years as of December 31, 2021, and 2020 as follows:

		<u>2021</u>	<u>2020</u>
Nursery and trees supplies	(a)	260 033	327 647
Solidarity operations	(b)	3 237	48 251
Water project supplies		27 702	24 109
Office supplies		12 191	9 082
Training and workshop expenses	(c)	55 479	17 758
Report translation fees		8 790	10 555
Nursery care takers seasonal	(d)	80 656	34 157
Operations - other-	(e)	<u>32 845</u>	<u>6 967</u>
		<u>480 933</u>	<u>478 526</u>

- (a) breakdown of costs incurred in 2021 by programs is as follows:

Programs		<u>Amount</u>
ECOSIA	(*)	209 559
German watch		31 997
Others		<u>18 477</u>
Total		<u>260 033</u>

- (*) Costs incurred under agreement concluded in November 2019 with ECOSIA GmbH and related to activities regarding planting, sowing, reforestation and care of trees in various HAF nurseries.

- (b) relates to payments incurred during the year in the frame of charity actions undertaken, on behalf one association (Association Bayti).
- (c) Increase in the related payments in comparison with 2020 is due to the correspondent development of such activities as part of the implementation of various programs during this year (NED, US Embassy, OES, UNDP).
- (d) relates to payments done to seasonal workers that HAF resorted during the year for nursery care 's needs. Total amount includes payments made within the implementation of ECOSIA's programs for 68 582 US\$.
- (e) breakdown of this amount as of December 31, 2021, is as follows:

Description	<u>Amount</u>
Project supplies	11 293
Transportation expenses	15 150
Tree distribution	1 526
Tree monitoring	<u>4 876</u>
Total	<u>32 845</u>

12. Travel expenses

<u>2021</u>	<u>2020</u>
<u>93 632</u>	<u>66 621</u>

This section record expenses incurred by the Foundation's staff as part of supervision and monitoring of the different projects and for general purposes (travel for grants negotiations, trainings ...).

Increase in 2021 related to 2020 is mainly explained by the fact that ground travel 's activities in 2020 have been significantly impacted by the pandemic.

13. Professional services

<u>2021</u>	<u>2020</u>
<u>76 947</u>	<u>48 103</u>

This account is detailed as follows:

	<u>2021</u>	<u>2020</u>
Accounting and audit fees	22 782	15 305
Contractor / consultant services (a)	39 688	21 851
Other professional services	<u>14 477</u>	<u>10 947</u>
	<u>76 947</u>	<u>48 103</u>

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- (a) The launch of important new development programs in 2021 (REMA...) and the correspondent resort to contractor and consultancy's services explain the increase noted in 2021 in comparison with 2020.

Breakdown of this amount for the year 2021 is detailed as follows:

Contractor / consultants	<u>Amount</u>
Finn Grudmann	23 480
Other various consultants	<u>16 208</u>
	<u>39 688</u>

14. Support for cooperatives

<u>2021</u>	<u>2020</u>
<u>114 573</u>	<u>78 453</u>

This account relates to expenses done on behalf a few cooperatives within the execution of some specific projects.

Breakdown of this amount for the year as of December 31, 2021, is as follows:

Training and workshops expenses	4 932
Other support to cooperatives	98
Other support for associations (a)	<u>109 543</u>
	<u>114 573</u>

- (a) Breakdown of payments to the Associations that have benefited from HAF financial support in 2021 within the execution of the program entitled "religious and ethnic minorities activity – REMA" funded by US AID Agency is as follows:

Association Mimouna	42 474
Association Essaouira Mogador	25 000
Foundation "Memories for the Future"	26 935
Association Argania	<u>15 134</u>
	<u>109 543</u>

15. Exceptional losses

<u>2021</u>	<u>2020</u>
<u>39 647</u>	<u>-</u>

Exceptional losses for the year as of December 31, 2021, include an amount of US\$ 35 000 paid to Demetter Consulting LLC as a result of an arrangement intervened during the year regarding repayment of the balance of a former loan granted in 2015 by Demetter Consulting LLC to HA3 - a U.S. company entirely controlled and operated by HAF at that date - and on which HAF was contractually a guarantor to repay in case of failure of HA3.

16. Exceptional gains

<u>2021</u>	<u>2020</u>
<u>6 729</u>	<u>-</u>

This amount represents old outstanding payable items that, after analysis, have been written off as of December 31, 2021.