



The Lake Chapala Society AC.

Financial statements and report of the auditor

December 31, 2025



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Independent auditor report

To the members of the Association of The Lake Chapala Society, AC

Opinion :

We have audited the financial statements of The Lake Chapala Society , AC, which include the statement of financial position as of December 31, 2025, the statements of activities for the year ended, and the explanatory notes to the financial statements, which include a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects , the financial position of The Lake Chapala Society , AC as of December 31, 2025, as well as the results of its activities for the year ended, in accordance with Mexican Financial Reporting Standards (NIF).

Responsibilities of the Administration and the those in charge of the entity's Government in relationship with the financial statements.

Management is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with the Financial Reporting provisions of the General Government Accounting Law described in Note 5 of the Management Notes to such financial statements, and for such internal control as it deemed necessary to enable the preparation of accounting financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, where appropriate, matters relating to the going concern and using the accounting bases applicable to a going concern, unless management

either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor in relation to the audit of the financial statements :

My objectives are to obtain reasonable assurance regarding the financial statements as a whole and to issue a report that contains my opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when one exists.

Independent Auditor's Report

Additional description

When conducting an audit in accordance with ISAs, we exercise professional judgment and maintain an attitude of professional skepticism. We also:

- Evaluate the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates and the corresponding information disclosed by the Association's Management.

Communicate to the Association's Management in the report Annex 1, among other matters, the scope and timing of the audit, the plan and significant findings of the audit, as well as any significant deficiencies in internal control that we identify during the audit.

LCP Jorge Fernando Garcia Mercado

Cedula Profesional 5615756

THE LAKE CHAPALA SOCIETY, A.C.

Statement of financial position

As of December 31, 2025

(Stated in Mexican Pesos)

ASSETS	2025
Short term:	
Cash & cash equivalents	8,394,403.00
Total short term assets	8,394,403.00
Long term:	
Properties & equipment, net	25,984,008.66
Total assets	34,378,411.66
LIABILITIES	
Short term:	
Accounts payable & accrued liabilities	526,674.10
Income tax payable	363,689.00
Total short term liabilities	890,363.10
Long term:	
Employee benefits	670,066.90

Total long term liabilities	670,066.90
Total liabilities	1,560,430.00
PATRIMONY	
Accumulated surplus	26,603,794.77
Accumulated restricted donations	5,577,186.89
Reserve fund	637,000.00
Total patrimony	32,817,981.66
Total patrimony & liabilities	34,378,411.66

Yolanda Martinez Llamas
President

Gregory Kyle Custer
Secretary

THE LAKE CHAPALA SOCIETY, A.C.

Statement of activities

For the years ended December 31, 2025

(Stated in Mexican Pesos)

Revenue:	
Memberships	1,827,773.53
Donations in cash	1,434,271.70
Programs	1,640,780.70
Use of Instalations	172,739.62
Fundraising Events	647,131.03
Concerts in the Park	1,164,977.16
Other income	48,777.85
Total revenue	6,936,451.59
Operating expenses:	
Payroll expenses	3,631,117.41
Administrative expenses	2,068,311.43
Services expenses	212,253.28
Student aid	25,070.30
Maintenance expenses	839,075.22
Professional sevices	118,409.75
Depreciation	279,309.04
Federal zone fees	33,259.62
Total operating expenses	7,206,806.05
Comprehensive financial result:	
Interest income	637,592.33

Total comprehensive financial result	637,592.33
Surplus (deficit) for the year	367,237.87

Yolanda Martinez Llamas

President

Gregory Kyle Custer

Secretary

The accompanying notes are an integral part of these financial statements

Notes to the financial statements

December 31, 2025

(Amounts stated in Mexican Pesos)

1. NATURE OF OPERATIONS AND SIGNIFICANT ACTIVITIES

The corporate purpose of The Lake Chapala Society, A.C. (the "Association" or "LCS") is to advocate for an improvement of the standard of living in the community, promote the development of artistic and cultural activities, and facilitate regular meetings to promote friendship and camaraderie among its members and promulgate social activities.

LCS is a Mexican Nonprofit Association that was incorporated on December 5, 1979.

The Association has its head office at Calle 16 de Septiembre #16A in Ajijic, Jalisco Mexico.

2. APPROVAL AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with the Financial Reporting Standards (NIF for its Acronym in Spanish) issued by the Mexican Board of Financial Reporting Standards (CINIF for its Acronym in Spanish). Likewise, they have been prepared under the assumption that the Association operates on a going concern basis.

The accompanying financial statements were authorized to be issued by Yolanda Martinez Llamas (President) and Gregory Kyle Custer (Secretary) on March 13 2026, consequently, they do not reflect events occurring subsequent to that date.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used for the preparation of these financial statements are summarized below:

a. Foreign currency translation

Functional and presentation currency

The financial statements are presented in the currency “peso”, which is also the functional currency of the Association.

The functional currency is the one in which the Association primarily generates and uses its cash flows corresponding to its sales, costs and expenses, as well as the financing obtained and other transactions.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the Exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction dates).

b. Non profit entity

The Association is a nonprofit entity and is subject to NIF (the acronym for Mexican Financial reporting standards) applicable for nonprofit entities.

c. Statements of activities

The statements of activities presenting costs and expenses are appropriately classified as agreed upon with the Association.

d. Statements of cash flows

The Association has decided to present the statements of cash flows using the indirect method, which consist of presenting the surplus or (deficit) of income less expenses of the year first, and subsequently the changes in working capital and, finally, financing activities.

e. Impact of inflation

The Association operates in a non-inflationary environment, as defined under Mexican Financial Reporting Standards.

f. Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and bank deposits in checking accounts and highly liquid investments that are easily convertible into cash, and not subject to material risk of changes in value.

g. Investments in securities

Investments in securities are recorded at market value.

The Association has temporarily restricted investments with a defined objective corresponding to donations received for specific purposes such as, student aid and buying books for the library of the Association. Likewise, the Association has an investment corresponding to a reserve fund established in the Constitution of the Association and intended for emergency repairs, payment of severance and other uses at the discretion of the membership that are determined during the Annual General Meeting of the members of the Association.

The Association has decided not to invest in financial instruments of risk; all investments are non-derivative financial assets in investment funds rated AAA investing in CETES, government securities and government debt. Investments may be made for up to 365 days provided the funds can be withdrawn before maturity in whole or in part on three business days' notice and with no penalty other than the loss of any interest up to the time of such early withdrawal.

h. Properties and equipment

Office equipment and other equipment are carried at cost, fixed assets received as donations are recognized at fair value at the time of the donation; depreciation of buildings, office equipment and other equipment is calculated based on the value of fixed assets under the straight-line method, according to their useful life at the following annual rates:

Buildings 5%

Office equipment 20%

Other equipment 4%

As a result of the Association adopting Mexican Financial Reporting Standards, it was necessary to establish the fair value or current market value of the properties owned by the Association that are located at Calle 16 de Septiembre #16 and Calle Galeana #18 (“The Wilkes Center”). Two real estate brokers familiar with the Lakeside area were asked to provide these valuations. In keeping with the principles of applying conservative accounting standards, the values reflected in the financial statements are the lower of those valuations. The properties located at Calle Ribera del Lago #50 and Ramon Corona #16 are valued at their purchase price.

i. Employee benefits

The Federal Labor Law establishes the basis for payments to employees and workers whose employment has been terminated. The Association has recorded any such payments as follows:

Severance and Retirement Payments-

The Federal Labor Law states that payments, other than retirement, made to personnel terminated without cause, other than as a result of a corporate reorganization, are charged to expense for the period when they are paid. In addition, generally speaking, a reserve should be established based on the weighted average of related payments made in a three to five-year period, taking into account the probability of having to make such payments.

Seniority Premium-

Federal Labor Law requires that financial statements reflect a liability for seniority premiums payable to employees who have, or are expected to have, fifteen or more years of service as established by the Federal Labor Law. This reserve has been determined using the methodology established by Mexican Federal Labor Law.

Notwithstanding that the obligation for seniority premium was not determined based on actuarial calculations; the related balance shown in note 7 below is estimated to be sufficient to cover such obligation.

j. Record of revenue and expenses

Donations received are recorded when cash is collected, and expenditures are recognized at the time they occur. Donations receivable are recognized when they are earned, are legally enforceable and there is sufficient assurance that these will be collected, as required by NIF E-2 of the financial reporting standards.

Other revenue generated by the Association, such as services rendered, is recognized when these have been provided and accepted by the Association.

k. Operating expenses

Operating expenses are recognized in surplus or deficit upon utilization of the service or as incurred.

l. Significant management judgement in applying accounting policies and estimation uncertainty

Significant management judgements

The following are the judgements made by management in applying the accounting policies of the Association that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

4. CASH AND CASH EQUIVALENTS

As of December 31, 2025, cash and cash equivalents are analyzed as follows:

Petty cash and banks 847,382

Short-term investments temporarily restricted 7,547,021

Total 8,394,403

5. PROPERTIES AND EQUIPMENT

As of December 31, 2025, Properties and equipment are detailed as shown below:

Buildings 11,689,582

Office equipment 73,772

Other equipment 546,244

Less – Accumulated depreciation 6,538,703

Land 20,213,280

In prior years the Association received as a donation without restrictions two properties of 4,497 square meters and 741 square meters respectively, located at Calle 16 de Septiembre #16, Ajijic and Calle Galeana # 18, Ajijic, both of which contain the Association's offices and other facilities including libraries.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of December 31, 2025, accounts payable and accrued liabilities are analyzed as follows:

Sundry creditors 596,984.41

Taxes payable 293,378.59

7. EMPLOYEE BENEFITS

As of December 31, 2025, employee benefits are summarized as follows:

Severance and Retirement Payments-

At December 31, 2025, no specific reserve for severance and retirement payments has been established. The lack of such a reserve is not material, as historically the Association has not dismissed employees without cause, nor is it the Association's practice to make such dismissals.

Seniority Premium-

As of December 31, 2025 the Association has seniority premium reserves \$ 485,724

8. PATRIMONY

The Association's Patrimony is comprised of the remaining balances of revenues over costs and expenses of each year, in conformity with the Association's bylaws.

The Association's Patrimony has been classified as follows:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

- (a) Unrestricted Net Assets- Net assets that are not subject to donor-imposed stipulations or where the donor-imposed stipulations are met in the year of the contribution.
- (b) Temporarily restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Association and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Both the Gillespie Fund and the Student Aid Funds are purpose-restricted funds that fall under this classification.

(c) Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned or any related investments for general or specific purposes.

9. INCOME TAX

The Association is considered as a non-profit legal entity as provided for in section XVII of Article 79 of the Income Tax Law. However, the second to the last paragraph of Article 79 sets forth that the amount of improperly recorded omitted income or unrealized purchases will be considered a distributable remaining balance, and the disbursements made are not deductible as provided for in Title IV of the Income Tax law, even when the foregoing has not been delivered to its members or associates in cash or goods. However at December 31, 2025 the Association did not have a distributable remaining balance as defined under the Income Tax law.

10. SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between the 31 December reporting date and the date of authorization.