

**SEMILLA NUEVA**

Consolidated Financial Statements for the Year Ended  
December 31, 2019, And The Independent Auditors'  
Report Dated March 4, 2020

## INDEPENDENT AUDITORS' REPORT

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## INDEPENDENT AUDITORS' REPORT

Sirs:  
Board of Directors  
**Semilla Nueva**  
Guatemala

Report about the audit of consolidated financial statements.

### *Opinion*

We have audited the accompanying financial statements of Asociación Semilla Nueva, Semilla Nueva, S.A. y Semilla Nueva (the "Company"), which comprise the balance sheets as of December 31, 2019, the consolidated statement of income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Company, as of December 31, 2019 have been prepared, in all material respects, in accordance with the accounting policies and practices adopted by non-profit institutions, as described in Note 2).

### *Opinion Basis*

We conducted our audit in accordance with International Standards on Auditing (ISAS). Our responsibilities in accordance with these rules are described in the section Responsibilities of the Auditor for the audit of the financial statements of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guatemala, 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 provides a reasonable basis for our un qualified opinion. The administration has said that the Company will continue in operation.

### *Basis of Accounting and use of the Independent Auditor's Report*

We draw the attention to Note 2, without that affect our opinion: to the consolidated financial statements that have been drafted, in all the important aspects, in accordance to accounting practices and policies adopted by the Company's management, as described in Note 2), which have their basis in accounting practices for non-profit institutions, because the financial statements are drafted according to a special purpose accounting basis. As a result, our report is made only for the Company and must not be distributed or used by different parts of the Company or its partners.

### **Other Issues**

As of December 31, 2019, Asociación Semilla Nueva hasn't any inventory and cost of sales record for transactions derived from the purchase and sale of biofortified seeds; inventory control and cost of sales are carried out by operations.

### **Responsibility of the administration on the financial statements**

The Company's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting Company policies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, the matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of 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 auditor's 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Among the other responsibilities we have as auditors, we mention the following:

- We identified and assessed the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, we designed and conducted the audit procedures that responded to these risks; we obtained sufficient and appropriate audit evidence to provide a basis for our opinion, the risk of not detecting a material misstatement resulting from fraud is greater than that resulting from an error, since the fraud involves collusion, forgery, intentional omissions, distortion, or annulment of internal control.

- We gained a knowledge of relevant internal control to the audit, in order to design audit procedures that are appropriate in base of the circumstances and not with the purpose of expressing an opinion on effectiveness of internal control of the Company.
- We evaluated the appropriate of accounting policies and the rationality of accounting estimates and related disclosures made by management.
- We concluded on the appropriate use of the accounting principle's administration of the Company in operation, on the basis of the obtained evidence, there is a material uncertainty related to events or conditions that might cause a significant doubt on the ability of the Association to continue as an entity in operation. If we conclude that there is a material uncertainty, we have to call the attention in our audit report on the relevant information to be disclosed in the financial statements or, if disclosure is insufficient, to change our opinion. Our conclusions were based on audit evidence obtained to date of our audit report. However, facts or future conditions can cause the Company ceases being an entity in operation.
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosed information, and whether the financial statements represent the underlying transactions and events in a way that these be faithful.
- We communicated those in charge of the Company in relation to the intended scope and timing of the audit, and the important audit results, including possible significant deficiencies in internal control that we identified during our audit.
- We also provided those responsible for the management of the Company a statement that we have met the requirements of ethics applicable according to the independence and communicated with them about all relationships and other issues that can be reasonably expected may affect our independence and, in this case, the appropriate safeguards.
- Among the issues that have been subject of communication with those responsible for the Company, we determined which have been of great significance in the audit of the financial statements for the current period and which are the audit key issues. We described these issues in our audit report, unless the legal or regulatory dissipations prohibited to public reveal the issue, or in extremely rare circumstances, we determine that a matter should not communicate in our report because it can expect adverse consequences of doing so, would outweigh the benefits of public interest in the same.

This report is intended exclusively for use of the Company's services and must not be provided to third parties, unless written authorization.

A handwritten signature in black ink, appearing to read 'E. Galvez', enclosed within a large, loopy oval stroke.

Azucena Galvez  
CPA Register No. 6439

March 3, 2020

# SEMILLA NUEVA

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended, December 31, 2019

(Expressed in Quetzales and US Dollars)

	<u>QUETZALES</u>	<u>US DOLLARS</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and Banks (note 4)	3,530,520	490,350
Accounts Receivable (note 5)	546,242	75,867
<b>Total Current Assets</b>	<b><u>4,076,762</u></b>	<b><u>566,217</u></b>
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment (note 6)	137,340	19,075
<b>Total Non-Current Assets</b>	<b><u>137,340</u></b>	<b><u>19,075</u></b>
<b>TOTAL ASSETS</b>	<b><u>4,214,102</u></b>	<b><u>585,292</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable (note 7)	16,265	2,259
<b>Total Current Liabilities</b>	<b><u>16,265</u></b>	<b><u>2,259</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Provision of Compensations (note 2h)	78,336	10,880
Other Provisions (note 8)	63,216	8,780
<b>Total Non-Current Liabilities</b>	<b><u>141,552</u></b>	<b><u>19,660</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>157,817</u></b>	<b><u>21,919</u></b>
<b>INSTITUTIONAL EQUITY</b>		
Net Assets	4,056,285	563,373
<b>TOTAL LIABILITIES AND INSTITUTIONAL EQUITY</b>	<b><u>4,214,102</u></b>	<b><u>585,292</u></b>

The attached notes are part of the consolidated financial statements.

# SEMILLA NUEVA

## CONSOLIDATED STATEMENT OF INCOME RESULT

For the year ended, December 31, 2019

(Expressed in Quetzales and US Dollars)

	<u>QUETZALES</u>	<u>US DOLLARS</u>
<b>INCOME</b>		
Donations (note 9)	7,597,514	1,055,210
Services (note 10)	764,381	106,164
Sales (note 10)	563,760	78,300
Other Income	31,500	4,375
Bank Interest	2,866	398
<b>TOTAL INCOME</b>	<b><u>8,960,021</u></b>	<b><u>1,244,447</u></b>
<b>EXPENSES</b>		
Wages and Labor Benefits	2,172,449	301,729
Honoraria	1,892,808	262,890
General Development Activities	1,658,426	230,337
Transportation, Mobilization, Fuel	845,374	117,413
Rentals and Maintenance Expenses	299,196	41,555
General Office Expenses	217,469	30,204
Taxes, Fees and Arbitration	135,223	18,781
Depreciations	49,975	6,941
Bank Expenses, Differential and Others	(187,682)	(26,067)
<b>TOTAL EXPENSES (note 11)</b>	<b><u>7,083,238</u></b>	<b><u>983,783</u></b>
<b>EXCESS OF INCOME OVER EXPENSES</b>	<b><u>1,876,783</u></b>	<b><u>260,664</u></b>

The attached notes are part of the consolidated financial statements.

## SEMILLA NUEVA

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended, December 31, 2019

(Expressed in US Dollars)

DESCRIPTION	SEN ONG	SEN, S.A.	SEN (c)(3)	TOTAL
Balance as of December 31, 2018	142,114	-	151,466	293,580
Capital Contributions (SEN, S.A.)	-	150,522	(150,522)	-
Translation foreign currency effect	-	9,129	-	9,129
Profit (Loss) for the period	55,318	(110,486)	315,832	260,664
Balance as of December 31, 2019	197,432	49,165	316,776	563,373

The attached notes are part of the consolidated financial statements.

# SEMILLA NUEVA

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended, December 31, 2019

(Expressed in Quetzales and US Dollars)

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<b>QUETZALES</b>	<b>US DOLLARS</b>
<b>Cash Flows from Operating Activities</b>		
Increase in Account Receivable	(70,445)	(9,784)
Increase in Taxes receivable	(228,859)	(31,786)
Reduction of Suppliers	(2,070,857)	(287,619)
Payment in expenses	(6,086,916)	(845,405)
Payment to personnel	(2,193,314)	(304,627)
<b>Net cash provided by operating activities</b>	<b>(10,650,391)</b>	<b>(1,479,221)</b>
<b>Cash Flows from Investing Activities</b>		
Increase in Leasing	(54,317)	(7,544)
<b>Net cash provided by investing activities</b>	<b>(54,317)</b>	<b>(7,544)</b>
<b>Cash Flows from Financing Activities</b>		
Increase in Future Capitalizations (foreign currency effect)	65,729	9,129
Cash from Donations	4,891,997	679,444
Cash from Sales and services	7,637,530	1,060,768
Cash from Other Income	34,366	4,773
<b>Net cash provided by financing activities</b>	<b>12,629,622</b>	<b>1,754,114</b>
Net increase in cash and cash equivalents	1,924,914	267,349
Cash and cash equivalents at the Beginning of Period	1,605,606	223,001
<b>Cash and cash equivalents at the End of the Year</b>	<b>3,530,520</b>	<b>490,350</b>

The attached notes are part of the consolidated financial statements.

# SEMILLA NUEVA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019

### 1. ORGANIZATION

- A) **Semilla Nueva**, was incorporated on May 19, 2010 under the Oregon laws, as a non-profit organization. On September 20, 2010, was awarded tax exempt status from Federal income tax under section 501 (c) (3) of the Internal Revenue Code (IRC). This entity is organized exclusively for charitable, religious, educational, and scientific purposes, including, the distribution to organizations that qualify as exempt organizations under section 501 (c) (3) of the IRC for such purposes.
- B) **Asociación Semilla Nueva** was constituted under the laws of the Republic of Guatemala, according to testimony of the public deed number four hundred and sixty-one (461), dated August 27, 2012 for an indefinite period. It is a private, service, assistance, social benefit and agricultural local economic development entity, composed of professionals and altruistic persons belonging to civil society, non-profit, non-religious and without any political purpose.

The Association aims and objectives are:

- a) Develop projects with a focus on sustainable local economic agricultural development, which seek to raise the living standard of the Guatemalan people;
  - b) Develop actions and activities to promote human development, agricultural, social, technical and administrative assistance to strengthen the functioning of the communities and groups that need it;
  - c) Establish education, health, housing, agriculture, industry, production, marketing support, technical assistance and training programs, according to the needs and aspirations of the attended communities;
  - d) Manage the funds coming from the contributions of its associates and those received from other entities in order to execute the services required in its communities;
  - e) Accept inheritances, legacies, internal and external donations, contract loans and enter into agreements with national and international institutions for the achievement of the Association's purposes;
  - f) Manage and receive technical assistance and specialized training for the realization and administration of sustainable projects, programs and plans aimed at raising the standard of living of the population.
- C) **Semilla Nueva, S.A.** was constituted under the laws of the Republic of Guatemala, according to testimony of the public deed number eighty-nine (89), dated November 28, 2018 for an indefinite period. The Association's main purpose is the realization of all kinds of commercial and business activities related to lucrative activities to undertake business, creation, strengthening of individual companies and incorporation into the formal trade of evaluation, production and marketing of crop seeds. Likewise, the

# SEMILLA NUEVA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019

company may carry out any commercial, industrial or business, lawful and lucrative activity, undertake, execute, perform or celebrate all necessary acts, operations, negotiations and contracts.

The consolidated financial statements include the operations of Semilla Nueva 501 (c)(3) (USA), Asociación Semilla Nueva and Semilla Nueva.

## 2. SUMMARY OF THE MAIN ACCOUNTING POLICIES

The main accounting policies used by the Company in the preparation of the financial statements, are set out below:

On July 7, 2010, the Institute of Public Accountants and Auditors of Guatemala resolved to adopt as Generally Accepted Accounting Principles in Guatemala, the International Financial Reporting Standard for Small and Medium-Sized Entities - NIIF for PYMES (in English, International Financial Reporting Standard for Small and Medium-Sized Entities- IFRS for SMEs -), issued by the Council of International Financial Reporting Standards (in English, International Accounting Standards Board - IASB). That resolution took effect for the entities in Guatemala: optional from the annual period which began on January 1, 2010 and obligatory from January 1, 2011.

Semilla Nueva is a non-profit organization. Therefore, it has not considered as necessary to adopt International Financial Reporting Standard for Small and Medium-Sized Entities - NIIF for PYMES, because these entities are not defined by the standard as an obligation, but it continues with the usual operating in accordance with the accounting practices for non-profit institutions, because the financial statements are prepared in accordance with a special purpose basis of accounting.

### a) Financial statements presentation

Asociación Semilla Nueva and Semilla Nueva, S.A., operates its accounting records according to the accrual method, as it is registered in the unified tax register (RTU) issued by the Superintendencia de Administración Tributaria (SAT), both are registered as follows:

- Optional Simplified Regime on Income-generating Activities.
  - Monthly payments on the basis of the gross income obtained in each month.
  - Annual Declaration.
- Value Added Tax (VAT) 12%, between the VAT charged and VAT paid.
  - Difference between VAT collected and VAT paid (rate 12%).
- The inventory valuation system is "Estimated cost or fixed price" for Semilla Nueva, S.A.
- Its accounting period is from January 1 to December 31 each year.

# SEMILLA NUEVA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019

- It has assigned Tax Identification Number 8110876-1 for Asociación Semilla Nueva and 10303702-0 for Semilla Nueva, S.A.

### b) Financial Instruments

Financial instruments are defined as any contract that simultaneously gives rise to a financial asset in one company and a financial liability or equity instrument in another company. Financial assets and liabilities are recognized when the Company becomes a part of the contractual provisions of the corresponding instrument.

Financial assets and financial liabilities are initially measured at fair value, plus the transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except for those classified at fair value through profit or loss, which are initially measured at fair value and whose transaction costs directly attributable to the acquisition or issue, are recognized immediately in profit or loss of the period.

#### *Financial Assets*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, in which the following are recognized on such date: a) the asset receivable and the liability payable, and (b) the derecognition of the asset that is sold, the recognition of the eventual income from the sale or disposal by another means, and the recognition of an item receivable from the purchaser.

*Effective interest method:* The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts included in the calculation of the effective interest rate) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The financial assets held by the Company are classified as accounts receivable. These assets are measured at amortized cost using the effective interest method, less any accumulated impairment. The Company does not have financial assets that require being classified into the categories of: financial assets at fair value through profit or loss; held-to-maturity investments; or, available-for sale financial assets, nor has it entered into transactions during the period that have required such classifications.

# SEMILLA NUEVA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2019

### *Financial Liabilities*

The financial liabilities and equity instruments are classified in accordance with the content of the contractual arrangements and considering the economic substance of the contract. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

*Effective interest method:* The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts included in the calculation of the effective interest rate) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The financial liabilities held by the Company are classified as Other financial liabilities. These liabilities are recorded at amortized cost, which are recorded subsequent to their initial recognition at amortized cost, using the effective interest method, recognizing the interest expense over the relevant period. The Company does not have financial liabilities that require being classified into the category of financial liabilities at fair value through profit or loss, nor has it entered into transactions during the period that have required such classification.

#### **c) Cash and cash equivalents**

It is considered as cash and cash equivalents the petty cash and bank balances, these balances can be easily converted into cash without restriction.

#### **d) Property and Equipment**

Property and equipment are recorded at cost, minus the depreciation and any loss recognized for impairment. The initial disbursements, as well as those subsequently incurred, related to assets whose cost may be reliably valued, and for which it is probable that future economic benefits will be obtained from them, are recognized as fixed assets. The disbursements for maintenance and repairs are recognized as an expense of the period in which they are incurred. The gains or losses resulting from the sale or disposal of an item of property and equipment are determined as the difference between the profit from the sale and the book value of the asset, which are recognized in profit or loss of the period when the sale is considered to be realized.

The depreciation is calculated under the straight-line method using the following estimated useful life as follows:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
As of December 31, 2019

	Years
Computer equipment	3
Furniture and equipment	5
Vehicles	5

**e) Impairment of Assets**

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated. The impairment loss is recognized when the amount of the asset exceeds its recoverable amount or its value in use, such loss is recognized in the Statement of Activities for those assets recorded at cost. There is no evidence that the entity shows impairment loss of their assets, due to the nature of its operations and that its assets correspond to furniture and equipment and computer equipment, which are depreciated monthly.

**f) Trade Accounts Payable**

Trade accounts payable are obligations to pay for goods or services purchased from suppliers in the normal course of business. Accounts payable are classified as Current Liabilities if the payment has to be made in the term of one year or less. Otherwise, they are presented as non-current liabilities.

**g) Provisions**

Provisions are recognized when the Company has a present obligation (legal or taken) as a result of a past event, it is probable that the Company will have to leave resources, that incorporate economic benefits to cancel the obligation, and a reliable estimate of the amount of the obligation can be made.

**h) Provision of Compensations**

According to the decrees 1441 Labor Code, Article 82 Calculation of compensation, Annual Bonus Law 42-92 for Workers in the Private and Public Sector, article 4 and 76-78 Regulating Law of the provision of the Holiday Bonus for Workers in the Private Sector Article 9. Says: companies have the obligation to pay compensation to the employees to dismiss, under certain circumstances, at a rate of one month's salary,

**SEMILLA NUEVA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
As of December 31, 2019

plus one-twelfth of Holiday Bonus and Bonus 14, for each year of service. AS of December 31, 2019, the amount of this concept is Q78,336 equivalent to US\$10,880.

**i) Net Assets**

The income surpluses over expenses originated by the activities of each year are executed according to a grant agreement, forming part of net assets. These net assets are not distributed in the form of dividends, shares or any other form of distribution.

**j) Accounting for Interests**

The interest generated by the bank accounts, are registered at the time of accreditation by the bank.

**k) Donations recognition**

These are registered as they have been granted to the Company. These have been originated by the funds from national or international institutions, mainly for the implementation or administration of projects. These donations are not attached to deductions of reserves of the heritage and are not distributed among its partners; however, at the end of the agreement, the funds not executed are returned to the donor.

**l) Foreign currency transactions**

Foreign currency transactions are recorded in national currency at the exchange rate in effect at the time of operation.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
As of December 31, 2019

**m) Contingencies**

Contingent liabilities are not recognized in the consolidated financial statements; these are only disclosed in notes to such statements. When the possibility of an outflow of resources to cover a contingent liability is remote, such disclosure is not required. As of December 31, 2019 the Company does not have contingent liabilities that require disclosure.

**n) Risk Management**

**By fluctuation in exchange rates:** The Company manages the majority of their income, expenses, assets and liabilities in local currency, so it is not exposed to risks of exchange rate fluctuation.

**By variation in interest rate and market prices:** The Company has no financial instruments that are exposed to fluctuations in interest rate.

**Liquidity:** The Company covers its operating expenses mainly through the donations made by the cooperating agencies; as well as of the lucrative activities on the sales of biofortified seeds and provision of services.

**Cash Flows:** The adequacy of the cash flows to be generated is evaluated every year to cover the obligations.

**3. MONETARY UNIT AND EXCHANGE RATE**

Every year in December, the management analyzes the fluctuation of the exchange rate of US Dollars and Quetzales during the current year, and establishes a conservative exchange rate to budget the expenses of the following year. The transactions of each of the Companies are recorded in local currency for the presentation of individual financial statements; for the purpose of presenting the consolidated financial statements, the balances in Quetzales were expressed in US Dollars for the year 2019, applying the exchange rate of Q.7.20 Quetzales per US \$1.00.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
As of December 31, 2019

**4. CASH AND BANKS**

The integration of December 31, 2019, is as shown below:

<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
Foreign Banks	2,229,891	309,707
Local Banks	1,275,127	177,101
Petty Cash	25,502	3,542
	<b>3,530,520</b>	<b>490,350</b>

**5. ACCOUNTS RECEIVABLE**

The integration of December 31, 2019, is as shown below:

<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
Advances to producers	159,998	22,222
VAT Tax credit	127,714	17,738
Pasfesa	83,527	11,601
Accounts receivable employees	30,024	4,170
Advances to suppliers	21,787	3,026
Copavetsa	3,262	453
Other accounts receivable	97,725	13,573
Other advances	22,205	3,084
	<b>546,242</b>	<b>75,867</b>

**SEMILLA NUEVA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
As of December 31, 2019

**6. PROPERTY, PLANT AND EQUIPMENT**

The integration of December 31, 2019, is as shown below:

Amounts in Quetzales

Description	Balance at 12-31-18	Movement of fixed assets		Balance at 12-31-19
		Charges	Deposit	
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Furniture and Equipment	7,787	-	-	7,787
Computer equipment	1,024	-	-	1,024
Vehicles	503,428	-	-	503,428
<b>Sub-total</b>	<b>512,239</b>	<b>-</b>	<b>-</b>	<b>512,239</b>
<b>ACCUMULATED DEPRECIATION</b>				
(-) Furniture and Equipment	(7,531)	255	-	(7,786)
(-) Computer equipment	(1,024)	-	-	(1,024)
(-) Vehicles	(316,375)	49,714	-	(366,089)
<b>Sub-total</b>	<b>(324,930)</b>	<b>49,969</b>	<b>-</b>	<b>(374,899)</b>
<b>Total</b>	<b>187,309</b>	<b>49,969</b>	<b>-</b>	<b>137,340</b>

Amounts in US Dollars

Description	Balance at 12-31-18	Movement of fixed assets		Balance at 12-31-19
		Charges	Deposit	
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Furniture and Equipment	1,082	-	-	1,082
Computer equipment	142	-	-	142
Vehicles	69,921	-	-	69,921
<b>Sub-total</b>	<b>71,145</b>	<b>-</b>	<b>-</b>	<b>71,145</b>
<b>ACCUMULATED DEPRECIATION</b>				
(-) Furniture and Equipment	(1,046)	35	-	(1,081)
(-) Computer equipment	(142)	-	-	(142)
(-) Vehicles	(43,941)	6,906	-	(50,847)
<b>Sub-total</b>	<b>(45,129)</b>	<b>6,941</b>	<b>-</b>	<b>(52,070)</b>
<b>Total</b>	<b>26,016</b>	<b>6,941</b>	<b>-</b>	<b>19,075</b>

**SEMILLA NUEVA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
As of December 31, 2019

**7. ACCOUNTS PAYABLE**

The integration of December 31, 2019, is as shown below:

<u>Description</u>	<u>Quetzales</u>	<u>US Dollars</u>
Taxes payable	7,934	1,102
Wages payable	22	3
Other accounts payable	8,309	1,154
	<u>16,265</u>	<u>2,259</u>

**8. OTHER PROVISIONS**

The integration of December 31, 2019, is as shown below:

<u>Description</u>	<u>Quetzales</u>	<u>US Dollars</u>
Bonus 14	55,044	7,645
Holiday Bonus	8,172	1,135
	<u>63,216</u>	<u>8,780</u>

**9. DONATIONS**

The income of the cooperation agencies is integrated as following:

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<u>Description</u>	<u>Quetzales</u>	<u>US Dollars</u>	<u>Status</u>
Cartier Philanthropy <i>a/</i>	1,440,000	200,000	No Restricted
Mulago <i>b/</i>	1,080,000	150,000	No Restricted
Popoyan <i>c/</i>	1,037,983	144,164	Restricted
Open Road Alliance <i>d/</i>	759,499	105,486	Restricted
IAF <i>e/</i>	642,759	89,272	Restricted
Swiss Re Foundation <i>f/</i>	576,000	80,000	Restricted
One Day's Wages <i>g/</i>	370,110	51,404	Restricted
Harbourton <i>h/</i>	360,000	50,000	Restricted
Expo-2020 <i>i/</i>	360,000	50,000	Restricted
Miracles in Action <i>j/</i>	324,000	45,000	Restricted
CFH <i>k/</i>	216,000	30,000	Restricted
Individual donations (Guatemala)	6,400	889	No Restricted
Individual donations (USA)	424,763	58,995	No Restricted
<b>Total</b>	<b><u>7,597,514</u></b>	<b><u>1,055,210</u></b>	

**Summary**

Restricted	80%	845,327
No Restricted	20%	209,884
<b>Total</b>	<b>100%</b>	<b><u>1,055,210</u></b>

**a/: Cartier Philanthropy**

On November 28, 2018, was signed the grant agreement between the private foundation Cartier Philanthropy and Semilla Nueva. Cartier Philanthropy will contribute for a maximum amount of US\$400,000, for a period of two years (January 1, 2019 to December 31, 2020).

The objective of the Project named "Combating malnutrition in Guatemala" is to focus on the direct sale of biofortified seeds through existing distribution channels without publishing their nutritional qualities, and sell seeds at prices that allow long-term growth for Semilla Nueva while providing better financial performance for farmers, distributors and agribusinesses to adopt it on a large scale.

For the year 2019, were received donations of US\$200,000.

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**b/: Mulago**

On May 14, 2019, was signed letter from Mulago Foundation to Semilla Nueva, in which they will transfer funds in the amount of US\$150,000, these funds are an unrestricted donation for Semilla Nueva.

For the year 2019, were received donations of US\$150,000.

**c/: Agropecuaria Popoyán, S.A.**

On March 25, 2019, the fixed price sub contract between Agropecuaria Popoyán, S.A. and Asociación Semilla Nueva was established. As part of the PRO-INNOVA project and through its ProCompite fund, it will be contributing funds for project execution through partial disbursements given to the Association for the fulfillment of 15 performance goals. The amount contributed by the Pro-Innova project will be Q2,025,331.90. Payments will be made in accordance with the payment schedule of performance goals, as long as the goal is fully accomplished.

The subcontract will be in force from February 26, 2019 to September 30, 2021, which may be extended for the period that the contractor considers necessary to achieve the main objective of the PRO-INNOVA project. The termination date may not exceed August 6, 2022.

On September 2, 2019, modification 01 of fixed price subcontract was made, in which the project intervention municipalities are expanded and goals 6, 8, 9, 10, 11, 12, 13, 14 and 15 are modified.

For the year 2019 donations were received for Q1,037,983 equivalent to US\$144,164.

**d/: Open Road Alliance**

On November 4, 2019, an Open Road Alliance letter to Semilla Nueva was signed, in which they will transfer funds in the amount of US\$105,486.04, with the following conditions:

- a) All grant funds and income earned should be used only for purposes defined by U.S. IRC section 501 (c)(3).
- b) People connected with this subsidy will not receive benefits, goods or services in return.
- c) Funds not used for the specified purposes will be returned to Silicon Valley Community Foundation.

For the year 2019, donations were received for US\$105,486.

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**e/: Interamerican Foundation (IAF)**

On July 8, 2014, the Interamerican Foundation (IAF) signed the cooperation agreement No. GT-317 to grant a contribution of US\$272,500 to Asociación Semilla Nueva, for the implementation of the project "Farmer to Farmer Development and Capacity Building in Retalhuleu and Suchitepéquez" for a period of thirty-six months from July 16, 2014 to July 16, 2017.

On February 28, 2017, the Amendment number 1 was signed, through which the following modifications are made:

- a) The amount of the donation increased to US\$532,200;
- b) The expiration date of the donation period is extended until July 16, 2020;
- c) The following report delivery dates are added: January 31, 2018; July 31, 2018; January 31, 2019; July 31, 2019; January 31, 2020; and July 31, 2020;
- d) All annexes are eliminated in their entirety and replaced by new annexes;

For the year 2019, donations were received for US\$89,272.

**f/: Swiss Re Foundation**

On April 6, 2018, the donation agreement was signed between Swiss Re Foundation and Semilla Nueva, Project number 6128, Semilla Nueva: Expanding biofortified seed to combat malnutrition (2018:2020) for an amount subject to the terms for \$200,000 (VAT included), from January 1, 2018 to January 31, 2020.

For the year 2019, donations were received for US\$80,000.

**g/: One Day's Wages**

On December 31, 2018, a letter from One Day's Wages was signed to Semilla Nueva, in which they will transfer funds in the amount of US\$51,404, to help combat chronic malnutrition in Guatemala. 100% of the funds will be used to empower local farmers through the production and distribution of biofortified corn seed.

For the year 2019, donations were received for US\$51,404.

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**h/: Harbourton Foundation**

On September 23, 2019, a letter from the Harbourton Foundation was signed to Semilla Nueva, in which they approved a donation of US\$50,000, in support of the launch of biofortified corn to reduce malnutrition in Guatemala. The deadline is from October 1, 2019 to September 30, 2020.

For the year 2019, donations were received for US\$50,000.

**i/: Expo 2020**

On August 1, 2019, a donation agreement was signed of Expo Dubai 2020 LLC- SO with Semilla Nueva, EL-GA-110 in the Biofortified Corn Launch program to combat malnutrition through a social enterprise model. Expo 2020 will pay according to the following:

- a) Advance US\$50,000 for issuance and approval of documents in article 4(b).
- b) Final payment US\$50,000 Goal reached 1 and goal reached 2, estimated date January 2020.

For the year 2019, donations were received for US\$50,000.

**j/: Miracles in action**

For the year 2019, donations were received for US\$45,000.

**i/: Conservation, Food & Health Foundation, Inc. (CFH)**

On November 20, 2019, a letter from Conservation, Food & Health Foundation, Inc. was signed to Semilla Nueva, in which the donation of US\$30,000 was approved in support to the project "Combating chronic malnutrition in Guatemala: Production, promotion and sale of biofortified seeds".

For the year 2019, donations were received for US\$30,000.

**10. SALES AND SERVICES**

These correspond to the sale of biofortified seeds, local services and services abroad, billed by the Asociación Semilla Nueva and Semilla Nueva, S.A.

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**11. EXPENSES**

A) Wages and labor benefits as of December 31, 2019 are integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.01	Staff Salaries	1,387,217	192,669
511.31	Insurance	164,110	22,793
511.04	Mid-Year Bonus	162,914	22,627
511.06	Severance	146,081	20,289
511.07	IGSS Employer Fee	140,465	19,509
511.03	End of Year Bonus	120,520	16,739
511.02	Bonus Dto.37-2001	46,332	6,435
511.05	Vacations	4,810	668
		<b>2,172,449</b>	<b>301,729</b>

B) The Honoraria as of December 31, 2019 are integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.08	Honoraria	1,731,398	240,472
511.09	Wages	161,410	22,418
		<b>1,892,808</b>	<b>262,890</b>

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C) The general development activities as of December 31, 2019 are integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.35	Field Materials	917,669	127,454
511.17	Trainings & Staff Development	189,454	26,313
511.33	Advertising & Promotion	177,257	24,619
511.23	Food	126,655	17,591
511.34	Office Materials	114,717	15,933
511.55	Country Promotional Day (DDC)	112,860	15,675
511.36	Soil Analysis and Labor Study	10,569	1,468
511.32	Printing & Copying	9,245	1,284
		<b>1,658,426</b>	<b>230,337</b>

D) Transportation, mobilization, fuel as of December 31, 2019 is integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.26	Mileage / Depreciation, Personal Vehicles	300,881	41,789
511.18	Gasoline	255,341	35,464
511.16	Repair & Maintenance Vehicles	68,033	9,449
511.20	Hotels	62,986	8,748
511.11	Office Parking	50,040	6,950
511.19	Flights	41,170	5,718
511.27	Freight and Hauling	36,633	5,088
511.28	Taxi Service	16,351	2,271
511.56	Toll / Ferry / others	5,501	764
511.21	Public Transportation	5,097	708
511.22	Travel Parking	3,341	464
		<b>845,374</b>	<b>117,413</b>

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E) Rentals and maintenance expenses as of December 31, 2019 are integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.10	Rent	113,429	15,754
511.57	Leasing	54,317	7,544
511.15	Other Repair & Maintenance	34,150	4,743
511.14	Repair & Maintenance Furniture	1,245	173
511.48	Other Rental Expenses	96,055	13,341
		<b>299,196</b>	<b>41,555</b>

F) General office expenses as of December 31, 2019 are integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.13	Telephone & Internet	91,022	12,642
511.12	Utilities	73,800	10,250
511.30	Postage & Shipping	25,654	3,563
511.37	Other General Expenses	26,993	3,749
		<b>217,469</b>	<b>30,204</b>

G) Taxes, fees and arbitration as of December 31, 2019 are integrated as follows:

<b>Code</b>	<b>Description</b>	<b>Quetzales</b>	<b>US Dollars</b>
511.52	Income Tax	110,088	15,290
511.40	VAT Special Invoice	11,750	1,632
511.38	Fines, Surcharges & Other SAT	7,855	1,091
511.39	Income Tax Special Invoice	4,421	614
511.46	PayPal Fees	1,030	143
511.53	VAT Fiscal Debit	29	4
511.41	Other fines	50	7
		<b>135,223</b>	<b>18,781</b>

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H) Depreciations as of December 31, 2019 are integrated as follows:

Code	Description	Quetzales	US Dollars
511.44	Vehicle Depreciation	49,716	6,905
511.42	Furniture and Equipment Depreciation	259	36
		<u>49,975</u>	<u>6,941</u>

I) Bank expenses, differential and others as of December 31, 2019 are integrated as follows:

Code	Description	Quetzales	US Dollars
511.45	Banking Fees	2,743	381
	Exchange differential	(190,425)	(26,448)
		<u>(187,682)</u>	<u>(26,067)</u>

## 12. COMMITMENTS

- a) On June 12, 2019, Semilla Nueva, S.A. signed a lease agreement with Comercial Administradora, S.A. The contract establishes the rent of the 2019 Pick Up Vehicle for a period of 24 months or 200,000km, the annual rent is Q89,807.28 equivalent to US\$12,473.23.
- b) On June 27, 2019, Semilla Nueva, S.A. signed lease and bond agreement with El Kiosco, S.A. The contract establishes the rent of premises Number 35, first level, building "La Galería" for one year from May 1, 2019, expiring on April 30, 2020. The term can be extended for equal or lesser terms by crossing of letters. The monthly rent is US\$1,167 plus VAT.
- c) On June 27, 2019, Semilla Nueva, S.A. signed a lease and bond agreement with Edificaciones Comerciales, S.A. The contractor establishes the rent of parking 5.5A and warehouse 5.5B of the basement of "La Galería" building for one year from May 1, 2019, expiring on April 30, 2020. The term can be extended for equal or lesser terms by crossing letters. The monthly rent is US \$435.00 plus VAT.
- d) On September 24, 2019, Asociación Semilla Nueva signed a lease agreement with Ambitto Arquitectura, S.A. The contractor establishes the rent of warehouse number four of the condominium of Cinco Ofibodegas, Aldea La Libertad, Sacatepéquez for one year from October 1, 2019, expiring on September 30, 2020. The term can be extended for equal or shorter terms by crossing letters. The monthly rent is Q.11,200.00 equivalent to US \$1,555.55.

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**13. TAX ASPECTS**

According to the laws of Guatemala, the Company has the following tax obligations:

- a) Make income tax withholdings to officials and employees when appropriate and refer them to the Superintendencia de Administración Tributaria (SAT) the ten working days next to the past month.
- b) Make withholdings of 5% for services rendered, when the invoice is obtained and for special invoices when they are services and purchase of goods, and send them to the treasury within 10 business days of the following month.
- c) Submit an annual affidavit of Income Tax on March 31 of each year.
- d) Issue special invoices when the suppliers do not extend sales invoices, withhold them the Value Added Tax and inform the treasury in the following calendar month.
- e) Enable and authorize accounting, daily, mayor, inventory and balance books in the Superintendencia de Administración Tributaria (SAT).
- f) Authorize the wage book and internal work regulations (When they have more than 10 employees).
- g) Report employees to the Instituto Guatemalteco de Seguridad Social (IGSS).
- h) Issue cash receipts authorized by the Superintendencia de Administración Tributaria (SAT).
- i) Pay work benefits.

**14. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events as of December 31, 2019 to determine the need for potential records or disclosures in the financial statements. Such events were evaluated until March 2, 2020, date on which these financial statements are considered available for issuance. Based on this evaluation, there is no knowledge of subsequent events that occurred between the closing date of these financial statements and the date of issuance, which may significantly affect them.

**15. FINANCIAL STATEMENTS APPROVAL**

The consolidated financial statements for the ended year December 31, 2019, have been approved by management for issuance on February 28, 2020.