

**SEMILLA NUEVA**  
Combined Financial Statements  
As at December 31, 2022 and 2021  
With the independent auditor's report

## AUDIT REPORT

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## **INDEPENDENT AUDITOR'S REPORT**

Dear  
Board of Directors  
**Semilla Nueva**

### **Report on the audit of the combined financial statements**

#### ***Opinion***

We have audited the accompanying combined financial statements of Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3) which comprise the combined statements of financial position as at December 31, 2022, the combined statement of activities for the period, of changes in net assets and the statement of cash flows for the year ended on that date and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying combined financial statements of Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3), for the year ended December 31, 2022 have been prepared, in all material respects accordance with applicable accounting practices for non-profit institutions, which is described in Note 2.

#### ***Basis of opinion***

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under these standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3) in accordance with the ethical requirements that are relevant to our audit of financial statements in Guatemala, and have complied with 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 opinion. Management has stated that the Asociación Semilla Nueva and Semilla Nueva 501(c)(3) will continue to operate; however, Semilla Nueva S.A. it will not continue in operations by 2023.

#### ***Basis of Accounting and Use of the Independent Auditors' Report***

Without this having any effect on our opinion, we draw attention to Note 2) of the attached combined financial statements that have been prepared in all their material aspects in accordance with the accounting practices and policies adopted by the management of Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3), which are described in note 2), which are based on accounting practices for non-profit institutions, since the financial statements are prepared according to a special purpose accountant. As a result, our report is intended exclusively for the Board of Directors of the Asociación Semilla Nueva, Semilla Nueva S.A. and Semilla Nueva 501(c)(3) and is not to be distributed or used for any other purpose.

### ***Other business paragraph***

The combined financial statements corresponding to the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on said financial statements, dated January 24, 2022.

### ***Management's Responsibility for the Combined Financial Statements***

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with the accounting policies of the Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3). Likewise, Management is responsible for the internal control it deems necessary to allow the combined financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is responsible for assessing the ability of the Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3) to continue as going concern, disclosing where appropriate, matters relating to going concern and using the going concern basis of accounting unless management intends to liquidate or cease operations, or has no more realistic alternative to do it.

Those in charge of the administration of the Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3), are responsible for supervising the entity's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Combined Financial Statements***

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue the audit report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement where it exists.

Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they can reasonably be expected to affect the economic decisions that users make on the basis of these financial statements.

A more detailed description of our responsibilities in connection with the audit of the financial statements is included in Appendix "A" to this report. This description is an integral part of this audit report.

Our report is for use of Asociación Semilla Nueva, Semilla Nueva, S.A. and Semilla Nueva 501(c)(3).



Manuel Cervantes  
Public Accountant and Auditor  
Register No. CPA-45

Manuel Cervantes & Asociados, S.C.  
Auditores y Consultores

Guatemala, April 29, 2023

# SEMILLA NUEVA

## COMBINED STATEMENTS OF FINANCIAL POSITION

As at December 31<sup>st</sup>

	2022		2021	
	QUETZALES	US DOLLARS	QUETZALES	US DOLLARS
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and banks (note 4)	9,087,571	1,262,163	9,795,737	1,360,519
Accounts receivable (note 5)	1,474,180	204,747	896,410	124,501
Inventories (note 6)	15,570	2,163	-	-
<b>Total current assets</b>	<b>10,577,321</b>	<b>1,469,073</b>	<b>10,692,147</b>	<b>1,485,020</b>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (note 7)	213,869	29,704	13,068	1,815
<b>Total non-current assets</b>	<b>213,869</b>	<b>29,704</b>	<b>13,068</b>	<b>1,815</b>
<b>TOTAL ASSETS</b>	<b>10,791,190</b>	<b>1,498,777</b>	<b>10,705,215</b>	<b>1,486,835</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts and documents payable (note 8)	457,048	63,479	165,758	23,022
<b>Total current liabilities</b>	<b>457,048</b>	<b>63,479</b>	<b>165,758</b>	<b>23,022</b>
<b>NON-CURRENT LIABILITIES</b>				
Compensation (note 9)	395,620	54,948	241,777	33,580
Other provisions (note 9)	123,042	17,089	94,730	13,157
<b>Total current liabilities</b>	<b>518,662</b>	<b>72,037</b>	<b>336,507</b>	<b>46,737</b>
<b>TOTAL LIABILITIES</b>	<b>975,710</b>	<b>135,516</b>	<b>502,265</b>	<b>69,759</b>
<b>NET ASSETS</b>				
Net Assets	9,815,480	1,363,261	10,202,950	1,417,076
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>10,791,190</b>	<b>1,498,777</b>	<b>10,705,215</b>	<b>1,486,835</b>

The accompanying notes are an integral part of the combined financial statements

**SEMILLA NUEVA**  
**COMBINED STATEMENTS OF ACTIVITIES**  
From January 1<sup>st</sup> to December 31<sup>st</sup>

	2022		2021	
	QUETZALES	US DOLLARS	QUETZALES	US DOLLARS
<b>REVENUES</b>				
Donations (note 10)	13,876,547	1,927,299	14,647,737	2,034,408
Sales (note 11)	737,027	102,364	736,481	102,289
(-) Returns and discounts	(4,072)	(565)	(53,294)	(7,402)
Services	-	-	333,533	46,324
Other income	678	94	8,954	1,244
Bank interest	6,028	837	8,997	1,249
<b>TOTAL REVENUES</b>	<b>14,616,208</b>	<b>2,030,029</b>	<b>15,682,408</b>	<b>2,178,112</b>
<b>COSTS</b>				
<b>PRODUCTION COST</b>				
Direct costs (note 12)	1,382,641	192,033	-	-
Indirect costs (note 12)	35,016	4,863	-	-
<b>TOTAL PRODUCTION COST</b>	<b>1,417,657</b>	<b>196,896</b>	<b>-</b>	<b>-</b>
<b>EXPENSES</b>				
Salaries and labor benefits (note A)	4,784,825	664,559	4,733,062	657,370
Professional services (note B)	2,749,169	381,829	1,882,748	261,493
General Development Activities (note C)	3,935,563	546,606	3,489,954	484,716
Transportation, mobilization, fuel (note D)	1,691,208	234,890	1,215,061	168,758
Rents and maintenance expenses (note E)	486,770	67,607	451,878	62,761
General office expenses (note F)	518,501	72,014	277,712	38,571
Taxes, fees and excises (note G)	154,308	21,432	85,123	11,823
Depreciation (note H)	43,012	5,974	59,086	8,206
Bank expenses, differential and others (note I)	(777,337)	(107,964)	(399,702)	(55,514)
<b>TOTAL EXPENSES (note 13)</b>	<b>13,586,019</b>	<b>1,886,947</b>	<b>11,794,922</b>	<b>1,638,184</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>(387,468)</b>	<b>(53,814)</b>	<b>3,887,486</b>	<b>539,928</b>

The accompanying notes are an integral part of the combined financial statements

# SEMILLA NUEVA

## COMBINED STATEMENTS OF CHANGES IN NET ASSETS

As at December 31<sup>st</sup>

Figures expressed in US Dollars

<u>DESCRIPTION</u>	<u>SEN ONG</u>	<u>SEN, S.A.</u>	<u>SEN 501 ( c ) (3)</u>	<u>Total</u>
<b>Balance as at December 31, 2020</b>	209,932	63,947	589,046	862,925
Contributions to future capitalizations	-	217,953	(217,953)	-
Effect on foreign currency translation	-	14,222	-	14,222
Eliminations due to SEN consolidation	890,000	-	(890,000)	-
Period's result	<u>(955,711)</u>	<u>(251,882)</u>	<u>1,747,522</u>	<u>539,929</u>
<b>Balance as at December 31, 2021</b>	<u><b>144,221</b></u>	<u><b>44,240</b></u>	<u><b>1,228,615</b></u>	<u><b>1,417,076</b></u>
Eliminations due to SEN consolidation	1,630,000	-	(1,630,000)	-
Period's result	<u>(1,564,761)</u>	<u>(3,300)</u>	<u>1,514,246</u>	<u>(53,815)</u>
<b>Balance as at December 31, 2022</b>	<u><b>209,460</b></u>	<u><b>40,940</b></u>	<u><b>1,112,861</b></u>	<u><b>1,363,261</b></u>

The accompanying notes are an integral part of the combined financial statements

# SEMILLA NUEVA

## COMBINED STATEMENTS OF CASH FLOWS

As at December 31<sup>st</sup>

From January 1<sup>st</sup> to December 31<sup>st</sup>

DESCRIPTION	2022		2021	
	QUETZALES	US DOLLARS	QUETZALES	US DOLLARS
<b>Cash flow from operating activities</b>				
Cash received from customers	(367,561)	(51,050)	67,196	9,333
Tax credit increase	(130,654)	(18,146)	(170,746)	(23,715)
Cash paid to suppliers	(1,317,162)	(182,939)	(173,122)	(24,045)
Cash paid other operating expenses	(7,982,747)	(1,108,715)	(12,226,891)	(1,698,179)
Cash received from local and foreign sales	732,955	101,799	1,016,720	141,211
Increase in the payment of labor liabilities	(470,411)	(65,335)		
Cash received from local and foreign donations	15,089,868	2,095,815	21,491,176	2,984,886
Cash other income and interest	6,693	930	17,951	2,493
Cash paid to staff with contracts	(6,025,332)	(836,852)	(6,011,558)	(834,939)
<b>Net cash provided by operating activities</b>	<b>(464,351)</b>	<b>(64,493)</b>	<b>4,010,726</b>	<b>557,045</b>
<b>Cash flow from investing activities</b>				
Machinery acquisition	(124,875)	(17,344)		
Acquisition of computer equipment	(118,940)	(16,519)		
Leasing increase	-	-	(208,557)	(28,966)
<b>Net cash provided by investing activities</b>	<b>(243,815)</b>	<b>(33,863)</b>	<b>(208,557)</b>	<b>(28,966)</b>
<b>Cash flow from financing activities</b>				
Increase for SEN investments (501) (c) (3)	-	-	(1,569,265)	(217,953)
Increase in future capitalizations (SEN, S.A.)	-	-	1,671,663	232,175
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>	<b>102,398</b>	<b>14,222</b>
Net increase in cash and cash equivalents	(708,166)	(98,356)	3,904,567	542,301
Cash and cash equivalents at the beginning of the year	9,795,737	1,360,519	5,891,170	818,218
<b>Cash and cash equivalents at the end of the year</b>	<b>9,087,571</b>	<b>1,262,163</b>	<b>9,795,737</b>	<b>1,360,519</b>

The accompanying notes are an integral part of the financial statements

# **SEMILLA NUEVA**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

As at December 31, 2022 and 2021

### **(1) Brief history of the Organization and its operations**

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#### **Semilla Nueva**

It was incorporated on May 19, 2010 under the laws of Oregon as a non-profit entity. On September 20, 2010, it received federal tax-exempt status under section 501 (c)(3) from the Internal Revenue Code (IRC). Such entity is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, distribution to organizations that qualify as exempt organizations under section 501 (c)(3) of the IRC.

#### **Asociación Semilla Nueva**

It was incorporated under the laws of the Republic of Guatemala according to the testimony of public deed number four hundred and sixty-one (461) dated August 27, 2012 for an indefinite period. It is a private entity, of service, assistance, social benefit and agricultural local economic development, made up of professionals and altruistic people belonging to civil society, of a non-profit, non-religious nature and without any political purpose.

The aims and objectives of the Asociación Semilla Nueva are:

- a) Develop projects focused on sustainable local economic agricultural development, aimed at raising the standard of living of the Guatemalan population;
- b) Develop promotion actions and activities for human, agricultural, social development, technical and administrative assistance to strengthen the functioning of communities and groups that need it;
- c) Establish programs for education, health, housing, agriculture, industry, support for production and marketing, technical assistance, and training, according to the needs and aspirations of the communities served;
- d) Manage the funds from the contributions of its associates and those received from other entities in order to execute the services required in their communities;
- e) Accept inheritances, legacies and internal and external donations and contract loans and enter into agreements with national and international institutions to achieve the purposes of the Asociación Semilla Nueva; and
- f) Manage and receive technical assistance and specialized training, for the implementation and administration of projects, programs and sustainable plans tending to raise the standard of living of the population.

# **SEMILLA NUEVA**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

As at December 31, 2022 and 2021

### **Semilla Nueva, S.A.**

It was incorporated under the laws of the Republic of Guatemala according to testimony of public deed number eighty-nine (89) dated November 28, 2018, with an indefinite term. The main purpose of the Company is to carry out all kinds of commercial and business activities related to lucrative activities to start businesses, creation, strengthening of individual companies and incorporation into the formal trade of evaluation, production and commercialization of crop seeds. Likewise, the company may carry out any commercial, industrial or business activity, lawful and lucrative, undertake, execute, perform or celebrate all necessary acts, operations, negotiations and contracts.

The combined financial statements include the operations of Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A.

### **(2) Summary of the most significant accounting policies**

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**Main Accounting Policies**– The main accounting policies used by Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. for the preparation of their combined financial statements are summarized below:

On July 7, 2010, the College of Public Accountants and Auditors of Guatemala resolved to adopt as the Generally Accepted Accounting Principles in Guatemala, the International Financial Reporting Standard for Small and Medium Entities - IFRS for SMEs (in English, International Financial Reporting Standard for Small and Medium-sized Entities- IFRS for SMEs -), issued by the International Accounting Standards Board - IASB -. Said resolution took effect for the Entities in Guatemala: optional as of the annual period that began on January 1<sup>st</sup>, 2010 and mandatory as of January 1<sup>st</sup>, 2011.

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

#### **a) Presentation of financial statements**

Asociación Semilla Nueva and Semilla Nueva, S.A., operate their accounting records according to the accrual method, as registered in the Unified Tax Registry (RTU) issued by the Superintendency of Tax Administration (SAT); can be summarized as follows:

# SEMILLA NUEVA

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

As at December 31, 2022 and 2021

- Simplified Optional Regime on Income from Lucrative Activities.
  - Monthly payments based on gross rent earned each month.
  - Annual statement.
- Value Added Tax (VAT) 12%, between the VAT charged and VAT paid.
  - Difference between VAT charged and VAT paid (Rate 12%)
- The inventory valuation system is “Estimated costs or fixed price” for Semilla Nueva, SA
- Its accounting period is from January 1 to December 31 of each year.
- It has been assigned the Tax Identification Number 8110876-1 for Asociación Semilla Nueva and 10303702-0 for Semilla Nueva, SA

### b) Financial instruments

Financial instruments are defined as any contract that simultaneously originates a financial asset in one institution and a financial liability or equity instrument in another. Financial assets and liabilities are recognized when they become a part of the contractual agreements of the corresponding instrument.

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

#### *Financial Assets*

Conventional purchases or sales of financial assets are recognized and derecognized using the accounting method of the contract date, in which the following are recognized on the aforementioned date: a) the asset to be received and the liability to be paid, and (b) the derecognition of the asset being sold, the recognition of the eventual result of the sale or disposal by another means, and the recognition of a receivable from the buyer.

Effective interest rate method: The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating the financial income or expense throughout the relevant period. The effective interest rate is the discount rate that exactly equals the estimated cash flows receivable or payable (including commission, interest basis points paid or received, transaction costs, and other premiums or discounts that are included in the calculation of the effective interest rate) over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Financial assets held by Semilla Nueva 501 (c)(3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. are classified as receivables. These assets are recorded at amortized cost using the effective interest rate method less any recognized accumulated impairment loss. Semilla Nueva

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As at December 31, 2022 and 2021

501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, SA does not maintain financial assets that require classification in the categories of: Financial assets at fair value through profit or loss; Investments held to maturity; or, Available-for-sale financial assets, nor has it entered into operations during the period that required such classifications.

*Financial liabilities*

Financial liabilities and equity instruments are classified according to the content of the agreed contractual agreements and considering the economic substance of the contract. An equity instrument is a contract that represents a residual interest in the Institution's equity after deducting all its liabilities.

Effective interest rate method: The effective interest rate method is a method of calculating the amortized cost of a financial instrument and allocating the financial income or expense throughout the relevant period. The effective interest rate is the discount rate that exactly equals the estimated cash flows receivable or payable (including commission, interest basis points paid or received, transaction costs, and other premiums or discounts that are included in the calculation of the effective interest rate) over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Financial liabilities held by Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A., are classified as Other financial liabilities. These liabilities are recorded at amortized cost, which are recorded after their initial recognition at amortized cost, using the effective interest rate method, recognizing the interest expense throughout the corresponding period. Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. does not have financial liabilities that require classification in the category of financial liabilities at fair value through profit or loss, nor has it entered into operations during the period that required such classification.

**Cash:** Cash and cash equivalents are considered petty cash balances and bank balances that can be easily converted into cash without any restrictions.

**Accounts receivable:** Accounts receivable are presented at their original value.

**Accounts payable:** They are non-derivative financial liabilities that generate a short-term obligation and are not quoted in an active market. They are included in current liabilities in the balance sheet.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
As at December 31, 2022 and 2021

**c) Cash and cash equivalents**

Balances in petty cash and demand deposits in banks are considered as cash and cash equivalents.

**d) Property, plant and equipment**

Property and equipment are presented at cost, less depreciation and any recognized impairment loss. The initial disbursements, as well as those incurred later, related to goods whose cost can be reliably valued, and it is probable that future economic benefits will be obtained from them, are recognized as fixed assets. Disbursements for maintenance and repairs are recognized as an expense in the period in which they are incurred. Gains or losses resulting from the sale or retirement of an item of property and equipment are determined as the difference between the product of the sale and the book value of the asset, which are recognized in the profit or loss of the period at the time in which the sale is considered made.

Depreciation is calculated based on the straight-line method and the percentages defined in the Guatemalan Income Tax are used, as follows:

	<b>Time in years</b>
Vehicles	5
Furniture and equipment	5
Computer equipment	3

**e) Asset impairment**

The book value of the assets is reviewed at the date of each balance sheet, with the purpose of determining if there is impairment. If there is such an indication, the recoverable amount of this asset is estimated. The impairment loss is recognized when the carrying amount of such 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 indication that Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. shows an impairment of its assets, due to the nature of its operations and that its assets correspond to office equipment and computing, which are depreciated monthly.

**f) Trade accounts payable**

Trade accounts payable are payment obligations for goods or services purchased from vendors in the normal course of business. Accounts payable are classified as current liabilities if payment must be made within one year or less, otherwise they are presented as non-current liabilities.

# SEMILLA NUEVA

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

As at December 31, 2022 and 2021

### g) Provisions

Provisions are recognized when Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. have a legal or assumed obligation as a result of a past event, it is probable that they will have to dispose of resources, which incorporate economic benefits to settle the obligation and a reliable estimate of the amount of the obligation can be made.

### h) Provisions for compensations

According to decrees No. 1441 Labor Code, article 82 calculation of compensation, 42-92 Law of Annual Bonus for Workers of the Private and Public Sector, article 4 and 76-78 Law Regulating the Benefit of the Christmas Bonus for Workers Article 9 of the Private Sector. Indicates: Companies have the obligation to pay compensation to employees they dismiss under certain circumstances at the rate of one month's salary, plus one twelfth of the Christmas bonus and fourteenth bonus, for each year of service. As of December 31, 2022, the provision value amounts to Q395,620 equivalent to US\$54,948 and as of December 31, 2021 it was Q241,777 equivalent to US\$33,580.

### i) Net assets

The surplus of income over expenses originated by the activities of each fiscal year is executed according to contractual commitments, forming part of net assets. These net assets are not distributed in the form of dividends, participations or any other form of distribution.

### j) Interest accounting

Interest generated by bank accounts is recorded at the time of crediting by the bank.

### k) Recognition of donations

They are recorded as they have been granted to Semilla Nueva 501 (c) (3) (United States) and Asociación Semilla Nueva. These have originated from funds from national or international institutions, mainly for the execution or administration of projects. These donations are not subject to deductions from equity reserves and are not distributed among its associates; however, at the end of the agreement, the unexecuted funds are returned to the donors, based on the agreement established with each of them.

# SEMILLA NUEVA

## NOTES TO THE COMBINED FINANCIAL STATEMENTS

As at December 31, 2022 and 2021

### l) Foreign currency transactions

Transactions in foreign currency are recorded in national currency at the exchange rate of Q7.20 for US\$1 due to the exchange rate policy used by Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. included in the Operations Manual, which was revised in December 2022.

### m) Contingencies

Contingent liabilities are not recognized in the financial statements. If any, they are disclosed in the notes to the financial statements, unless the possibility of cash disbursement is remote, in which case no disclosure is required. As of December 31, 2022 and 2021, Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. does not have contingent liabilities that require disclosure.

### n) Risk management

**Due to fluctuation in exchange rates:** Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. they manage most of their expenses, assets and liabilities in local currency Quetzales, and most of their income and availabilities in US Dollars; Additionally, it has established a conversion policy of Q7.20 per US\$1.00, to minimize the risk of exchange rate fluctuations.

**Due to variation in interest rate and market prices:** Semilla Nueva 501 (c) (3) (United States), Asociación Semilla Nueva and Semilla Nueva, S.A. they do not have financial instruments that are exposed to interest rate fluctuations.

**Liquidity:** Semilla Nueva 501 (c) (3) (United States) and Asociación Semilla Nueva they cover their operating expenses mainly through donations made by cooperating agencies; as well as the lucrative activities on the sale of biofortified seeds and provision of services, which are subsidized by donations from cooperators and sold at low cost.

**From Cash Flows:** On a monthly basis, the administration evaluates the sufficiency of the cash flows to cover its obligations.

## 3. MONETARY UNIT AND EXCHANGE RATE

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In December of each year, the administration 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 institutions are recorded in local currency for presentation of individual financial statements; For purposes of presenting the combined financial

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statements, the balances in Quetzales were expressed in US dollars for the years 2022 and 2021, applying the exchange rate of Q7.20 Quetzales for US\$1.00 US dollar. The difference between the use of the exchange rate is recorded within an exchange differential account that is reported within the combined Financial Statements.

**4. CASH AND BANKS**

The integration as at December 31, is as shown below:

<u>Description</u>	2022		2021	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Foreign banks	8,004,282	1,111,706	8,821,843	1,225,256
Local banks	1,074,460	149,231	950,198	131,972
Petty cash	8,829	1,226	23,696	3,291
	<b>9,087,571</b>	<b>1,262,163</b>	<b>9,795,737</b>	<b>1,360,519</b>

**5. ACCOUNTS RECEIVABLE**

The integration as at December 31, is as shown below:

<u>Description</u>	2022		2021	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Advances to producers	576,000	80,000	411,991	57,221
VAT credit	390,154	54,188	358,007	49,723
Miscellaneous accounts receivable	255,475	35,483	-	-
Accounts receivable from employees	46,602	6,472	46,912	6,515
Pasfesa	41,909	5,821	33,433	4,643
VAT withholdings	10,803	1,500	-	-
Field Day Advances	2,825	392	-	-
Self-consumption	725	101	-	-
Other accounts receivable	-	-	4,417	614
Other advances	149,687	20,790	41,650	5,785
<b>Total</b>	<b>1,474,180</b>	<b>204,747</b>	<b>896,410</b>	<b>124,501</b>

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**6. INVENTORIES**

The integration as at December 31, is as shown below:

<u>Descripción</u>	2022		2021	
	Quetzales	US Dollars	Quetzales	US Dollars
MP seed dye F5	3,624	503	-	-
20 kilo bags	2,541	354	-	-
10 kilo bags	9,405	1,306	-	-
<b>Total</b>	<b>15,570</b>	<b>2,163</b>	<b>-</b>	<b>-</b>

**7. PROPERTY, PLANT AND EQUIPMENT**

Integration as at December 31, is as shown below:

**Figures in Quetzales**

<u>Description</u>	Balance to 12/31/2021	Movements		Balance to 12/31/2022
		Additions	Disposals	
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Vehicles	478,928	-	-	478,928
Computer equipment	1,024	118,940	-	119,964
Furniture and equipment	7,787	-	-	7,787
Machinery	-	124,874	-	124,874
<b>Subtotal</b>	<b>487,739</b>	<b>243,814</b>	<b>-</b>	<b>731,553</b>
<b>ACCUMULATED DEPRECIATION</b>				
(-) Vehicles	(465,862)	(13,066)	-	(478,928)
(-) Computer equipment	(1,023)	(13,708)	-	(14,731)
(-) Furniture and equipment	(7,786)	-	-	(7,786)
(-) Machinery	-	(16,239)	-	(16,239)
<b>Sub-total</b>	<b>(474,671)</b>	<b>(43,013)</b>	<b>-</b>	<b>(517,684)</b>
<b>Total</b>	<b>13,068</b>	<b>200,801</b>	<b>-</b>	<b>213,869</b>

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**Figures in US Dollars**

<u>Description</u>	Balance to 12/31/2021	Movements		Balance to 12/31/2022
		Additions	Disposals	
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Vehicles	66,518	-	-	66,518
Computer equipment	143	16,518	-	16,661
Furniture and equipment	1,082	-	-	1,082
Machinery	-	17,344	-	17,344
<b>Subtotal</b>	<b>67,743</b>	<b>33,862</b>	<b>-</b>	<b>101,605</b>
<b>ACCUMULATED DEPRECIATION</b>				
(-) Vehicles	(64,703)	(1,815)	-	(66,518)
(-) Computer equipment	(143)	(1,903)	-	(2,046)
(-) Furniture and equipment	(1,082)	-	-	(1,082)
(-) Machinery	-	(2,255)	-	(2,255)
<b>Sub-total</b>	<b>(65,928)</b>	<b>(5,973)</b>	<b>-</b>	<b>(71,901)</b>
<b>Total</b>	<b>1,815</b>	<b>27,889</b>	<b>-</b>	<b>29,704</b>

**8. ACCOUNTS PAYABLE**

Integration as at December 31, is as shown below:

<u>Description</u>	2022		2021	
	Quetzales	US Dollars	Quetzales	US Dollars
Suppliers	21,988	3,054	-	-
Miscellaneous accounts payable	368,355	51,160	-	-
Other accounts payable	40,609	5,640	146,230	20,310
Taxes to pay	13,327	1,851	19,528	2,712
Employees	12,769	1,774	-	-
<b>Total</b>	<b>457,048</b>	<b>63,479</b>	<b>165,758</b>	<b>23,022</b>

**9. LABOR PROVISIONS**

Integration as at December 31, is as shown below:

<u>Description</u>	2022		2021	
	Quetzales	US Dollars	Quetzales	US Dollars
Annual bonus	102,967	14,301	79,284	11,012
Christmas bonus	20,075	2,788	15,446	2,145
Compensation	395,620	54,948	241,777	33,580
<b>Total</b>	<b>518,662</b>	<b>72,037</b>	<b>336,507</b>	<b>46,737</b>

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**10. DONATIONS**

The integration of income received as donations during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022, are detailed below:

Description	Ref	2022		2021	
		Quetzales	US Dollars	Quetzales	US Dollars
Mulago	a	3,609,324	501,295	1,800,000	250,000
Light a Single Candle Foundation	b	3,314,419	460,336	4,320,000	600,000
David Weekley Family Foundation (Dovetail)	c	720,000	100,000	720,000	100,000
Cartier Philanthropy	d	1,440,000	200,000	1,512,000	210,000
The Vitol Foundation		-	-	1,439,654	199,952
Popoyán		-	-	805,068	111,815
Harbourton	e	540,000	75,000	468,000	65,000
The Innocent Foundation	f	511,027	70,976	773,467	107,426
Club Rotario de la Ermita	s	735,871	102,204	365,249	50,729
Miracles in Action		-	-	309,600	43,000
CFH		-	-	216,000	30,000
Van Auker	g	360,000	50,000	180,000	25,000
The Eric Martin Fund	h	324,000	45,000	216,000	30,000
RA5 Foundation	i	288,000	40,000	216,000	30,000
Focus Central America	j	180,000	25,000	-	-
Open Value Foundation	k	180,000	25,000	-	-
Swiss Re Foundation	l	144,000	20,000	750,679	104,261
Pulte Family Charitable Foundation	m	144,000	20,000	-	-
International Foundation	n	144,000	20,000	-	-
Carson Foundation	o	72,000	10,000	-	-
Benevity		20,880	2,900	-	-
American Online Giving Foundation	p	10,980	1,525	-	-
Guido and Elizabeth	q	9,000	1,250	-	-
Greater Washigton Community		7,200	1,000	-	-
The Value in Giving	r	3,600	500	-	-
The Rotary Foundation		-	-	72,000	10,000
Individual donations (United States)		1,111,939	154,436	468,346	65,048
Individual donations (Guatemala)		6,307	877	15,674	2,177
<b>Total</b>		<b>13,876,547</b>	<b>1,927,299</b>	<b>14,647,737</b>	<b>2,034,408</b>

# **SEMILLA NUEVA**

## **NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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### **a) Mulago**

On June 1<sup>st</sup>, 2022 a cooperation letter was signed between Mulago and Semilla Nueva, where they indicate that they will be making an unrestricted donation of one million Dollars (US\$1,000,000) which will be divided into US\$500,000 granted in June 2022 and US\$500,000 to be awarded in June 2023.

### **b) Light a Single Candle Foundation**

On January 9, 2022, an agreement was signed for US\$200,000 for one year, which will have as direct or primary beneficiaries farmers who sow biofortified seeds and their member families who consumed biofortified corn. This project will reach 3,000 new families. It is estimated that the average yield is 91,800 people, of whom they will eat biofortified corn during the year, including the peasant family members and consumers who buy their corn in the market.

### **c) Dovetail Impact Foundation**

On September 22, 2022, a letter was signed from the Dovetail Impact Foundation to Semilla Nueva, for a donation worth US\$100,000.

### **d) Cartier Philanthropy**

On January 12, 2021, the donation agreement was signed between the private foundation Cartier Philanthropy and Semilla Nueva. Cartier Philanthropy will contribute for a maximum amount of US\$600,000, for a term of three years from March 1, 2021 to December 31, 2023, of which US\$200,000 was paid on March 15, 2022.

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

### **e) Harbourton Foundation**

On June 28, 2022, a letter from the Harbourton Foundation to Semilla Nueva was signed, in which they approved a donation of US\$75,000, in support of the launching of biofortified corn in Guatemala. The term is from June 28, 2022 to June 30, 2023.

For the year 2022, donations for US\$75,000 were received.

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**f) The Innocent Foundation**

On December 21, 2020, the cooperation agreement was signed between The Innocent Foundation and Semilla Nueva for the execution of the project for the development of Semilla Nueva. The signed disbursement schedule is in Sterling Pounds, which are converted to US Dollars and then transferred by Semilla Nueva USA to Asociación Semilla Nueva.

For the year 2022, a donation of GBP £60,000, equivalent to US\$70,976 was received.

**g) Arvy Foundation (Van Auken)**

There is no formal agreement; however, there is a letter signed by the Arvy Foundation on behalf of Van Auken to formalize the financing.

On May 1<sup>st</sup>, 2022 a donation was received by check for US\$50,000

**h) The Eric Martin Fund**

On March 30, 2022, through check No. 1212520, a donation of US\$45,000 was received.

There is a confirmation letter of the donation through Vanguard Charitable, who in turn sends the funds to the organization Semilla Nueva.

**i) RA5 Foundation**

There is no formal agreement, however, the communication and approval of the financing was made through a letter dated December 12, 2022. During the year 2022, a donation worth US\$40,000 was received.

**j) Focus Central America Foundation**

On June 14, 2022, the Focus Central America Foundation issued a donation payment order in the amount of US\$25,000 granted directly to his bank account opened at JP Morgan Chase bank number 225165320.

There is no signed agreement in this regard, only the form indicates that the funds will be used for the creation of biofortified seed to benefit Guatemalan families.

**k) Open Value Foundation**

On December 14, 2022, the cooperation agreement was signed, whose objective is to support and expand the Semilla Nueva model for seed production through the creation of new competitive biofortified seeds in alliance with CIMMYT, One Acre Fund and others.

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A donation of US\$25,000 was received, which is destined for the execution of the project in the year 2023, for this reason it is restricted.

**l) Swiss Re Foundation**

On January 21, 2020 the donation agreement was signed between Swiss Re Foundation and Semilla Nueva, for the execution of project number 6349, called: Expanding Bio-fortified seed to combat malnutrition (2019:2022) for an amount subject to the terms of the US\$200,000 agreement, from December 1, 2019 to January 31, 2022.

Within clause 6 of the signed agreement, it indicates that the fourth payment for US\$20,000 will be made on January 31, 2022 upon presentation of the final report.

**m) Pulte Family Foundation**

On February 28, 2022, a donation of US\$20,000 was received and it will be effective from April 1, 2022 and will end on March 31, 2023.

The goal of the grant is to provide fortified corn seeds to low-income farmers in Guatemala, which will help combat malnutrition.

**n) International Foundation**

A US\$20,000 donation was received that aims to improve the nutrition of 6,800 members of peasant families and improve the nutrition of more than 30,000 consumers.

**o) Carson Foundation**

On December 29, 2021 a letter was issued to the organization Semilla Nueva indicating the donation of USD10,000 through check No. 1649 from the Morgan Stanley bank, this in order to complete the annual fundraising campaign for the US \$100,000.

**p) American Online Giving Foundation**

There is no formal agreement, during the year 2022 a donation of US\$1,525.00 was received

**q) Guido and Elizabeth Binda Foundation**

There is no formal agreement, during the year 2022 a donation of US\$750 was received

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**r) The Value in Giving**

There is no formal agreement, only a letter crossing, during the year 2022 a donation of US\$500 was received.

**s) Club Rotario de la Ermita**

On January 20, 2020, the Memorandum of Understanding between the Asociación Semilla Nueva, Rotary International and The Rotary Foundation was signed, in order to execute a project that benefits the departments of Suchitepéquez, Jutiapa, Jalapa and Guatemala.

The objectives of the project are the following:

- i. Support local farmers in the production of biofortified seed, to later be sold to 18,000 families for the next two years, increasing their income and improving their nutrition.
- ii. Assist two local cooperatives and a social enterprise by creating a revolving fund for seed production, which will allow the impact of the project to continue after the project has been completed.

The income from cooperation agencies is made up as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Rotary Club Guatemala de la Ermita	735,871	102,204	365,249	50,729
	<u>735,871</u>	<u>102,204</u>	<u>365,249</u>	<u>50,729</u>

The Memorandum of understanding does not indicate a specific amount to grant to Semilla Nueva, likewise, it does not indicate the term that the financing will have.

Since 2021, the Asociación Semilla Nueva has sent a monthly statement of the expenses incurred, which are recorded as an account receivable that is later settled with a transfer through the Rotary Club of Guatemala de la Ermita, who, in turn, receive money from Rotary International to settle and cover the funds used by the Asociación Semilla Nueva to carry out the project.

For the years 2021 and 2022 there is an approved budget of US\$228,012 equivalent to Q1,732,892 where FEDECOVERA contributes as a counterpart for the execution of the established project.

The accumulated execution of the project is as follows (Figures in Quetzales):

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Description	Budget	Execution		Total Execution	Balance
		2021	2022		
Farmer education technician	178,560	-	96,099	96,099	82,461
SMS messages	48,000	-	8,337	8,337	39,663
Whatsapp Messages server	18,480	-	-	-	18,480
Educational Pamphlets	28,500	-	30,622	30,622	(2,122)
Radio	32,000	6,619	4,568	11,187	20,813
Field Technicians I	178,560	65,402	122,478	187,880	(9,320)
Field Technician II	178,548	45,745	122,384	168,128	10,420
ASIDESAFAV Farmer Technician	66,080	26,387	106,745	133,132	(67,052)
Mileage for repairs (3 vehicles)	189,771	62,086	126,030	188,116	1,655
Fuel (3 vehicles)	65,749	29,489	85,844	115,333	(49,584)
Per Diem/Hotel (3 technicians)	282,720	29,285	57,727	87,011	195,709
Transport/Food for farmer leaders to visit trainings	16,000	-	-	-	16,000
Seed Transport	7,200	7,000	-	7,000	200
Fertilizer for Demonstration Parcels	38,600	30,541	19,201	49,741	(11,141)
Other inputs for Demonstration Parcels	28,000	865	50,751	51,616	(23,616)
Food for Field Days	28,000	9,389	42,648	52,037	(24,037)
Project Manager	168,000	56,000	70,000	126,000	42,000
M&E Coordinator	96,000	66,667	60,000	126,667	(30,667)
Phone Surveys	30,000	-	20,920	20,920	9,080
Farmer Conference Meals	10,260	-	-	-	10,260
Uniforms with Rotario Logo	3,864	2,004	1,026	3,030	834
External Audit	40,000	-	-	-	40,000
<b>Total</b>	<b>1,732,892</b>	<b>437,478</b>	<b>1,025,379</b>	<b>1,462,857</b>	<b>270,035</b>

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The Asociación Semilla Nueva has covered all expenses submitted to Rotary since May 2022; issuing donation receipts to register an account receivable until September 2022 that corresponds to the settlement of expenses of August 2022. From May to September, the Asociación Semilla Nueva has an account receivable from the Rotary Club of La Ermita as at December 31 2022, accumulating the balance as follows:

<b>Month reported</b>	<b>Amount Quetzales</b>
May	31,492
June	64,145
July	71,000
August	83,156
September	77,642
October	61,668
November	72,780
December	149,652
<b>Total</b>	<b>611,535</b>

As part of the monitoring of the settlement of accounts receivable, the Asociación Semilla Nueva received from the Rotary Club the total accounts receivable described in the previous table in April 2023, thus settling said account.

The Asociación Semilla Nueva has been governed by the presentation of figures and documentation to the donor in accordance with its operating manual.

**11. SALES**

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Sales during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, are as follows:

<b>Description</b>	<b>2022</b>		<b>2021</b>	
	<b>Quetzales</b>	<b>US Dollars</b>	<b>Quetzales</b>	<b>US Dollars</b>
Sales	737,027	102,364.00	736,481	102,289
(-) Returns and discounts	(4,072)	(565)	(53,294)	(7,402)
<b>Total</b>	<b>732,955</b>	<b>101,799</b>	<b>683,187</b>	<b>94,887</b>

**12. COSTS**

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Production costs during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022, are integrated as follows:

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<u>Description</u>	2022		2021	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Direct costs	1,382,641	192,033		
Indirect costs	35,016	4,863	-	-
<b>Total</b>	<b>1,417,657</b>	<b>196,896</b>	<b>-</b>	<b>-</b>

**13. EXPENSES**

A) Salaries and benefits during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are as follows:

<u>Description</u>	2022		2021	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Salaries	2,577,655	358,008	2,602,503	361,459
Bonus Dto 37-2001	76,280	10,594	68,739	9,547
Sales bonus	191,988	26,665	100,300	13,931
Christmas bonus Dto 76-78	214,041	29,728	217,013	30,141
Annual bonus	214,454	29,785	217,077	30,150
Compensations	224,069	31,121	259,707	36,070
Vacation	14,451	2,007	12,067	1,677
Insurances	126,000	17,500	112,250	15,590
Fee IGSS e IRTRA	274,895	38,180	287,958	39,994
Fuel and mileage	604,901	84,014	646,138	89,741
Internet and phone	79,063	10,981	62,585	8,692
Trainings	187,028	25,976	146,725	20,378
<b>Total</b>	<b>4,784,825</b>	<b>664,559</b>	<b>4,733,062</b>	<b>657,370</b>

B) The professional services during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are as follows:

<u>Description</u>	2022		2021	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Professional services	2,665,844	370,256	1,827,926	253,879
Internet and phone	9,050	1,257	23,077	3,205
Medical insurance	34,466	4,787	20,147	2,798
Mileage reimbursement	39,809	5,529	11,598	1,611
<b>Total</b>	<b>2,749,169</b>	<b>381,829</b>	<b>1,882,748</b>	<b>261,493</b>

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C) The general development activities during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are integrated as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Commercial seed production	170,506	23,681	1,092,386	151,720
Project 1: Development of hybrids	1,063,100	147,653	700,449	97,285
Project 3: Production of parental seeds	282,316	39,211	202,219	28,086
Project 4: Evaluation trials	251,777	34,969	164,675	22,871
Project 5 Collaborations	501,250	69,618	572,557	79,522
Professional services	709,559	98,550	397,170	55,163
Counter incentives	150,596	20,916	114,145	15,854
Demonstration plots	403,862	56,092		
Publicity and promotion	255,252	35,451	144,594	20,082
Country Promotional Day (CPD)	147,345	20,465	95,450	13,257
Project 2: Other projects (Agrobiofortifications Aflotoxins)	-	-	6,309	876
<b>Total</b>	<b>3,935,563</b>	<b>546,606</b>	<b>3,489,954</b>	<b>484,716</b>

D) Transportation, mobilization and fuel during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are integrated as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Vehicles / Maintenance / Insurance / Leasing	422,427	58,670	356,164	49,467
Gasoline / Fuel	504,000	70,000	352,711	48,988
Per diems	369,505	51,320	235,654	32,730
Hotels	168,915	23,460	190,240	26,422
Flights	171,717	23,850	42,529	5,907
Toll / Ferry / others	5,977	830	20,149	2,798
Taxi service	31,367	4,356	13,491	1,874
Public transport / Parking	17,300	2,404	4,123	572
<b>Total</b>	<b>1,691,208</b>	<b>234,890</b>	<b>1,215,061</b>	<b>168,758</b>

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- E) Rents and maintenance expenses during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are integrated as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Rent	308,059	42,786	276,206	38,362
General services	122,969	17,079	123,351	17,132
supplies	55,742	7,742	52,321	7,267
	<b>486,770</b>	<b>67,607</b>	<b>451,878</b>	<b>62,761</b>

- F) General office expenses during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are integrated as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
General expenses	442,692	61,485	160,751	22,327
General supplies	75,809	10,529	116,961	16,244
<b>Total</b>	<b>518,501</b>	<b>72,014</b>	<b>277,712</b>	<b>38,571</b>

- G) Taxes, fees and excise duties during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, are integrated as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Income Tax on sales	48,491	6,735	67,026	9,309
United States taxes	102,211	14,196	13,788	1,915
Vehicle circulation taxes	1,318	183	1,820	253
VAT special invoice	192	27	1,203	167
Fines, surcharges and other	884	123	817	114
Income Tax special invoice	80	11	469	65
VAT debit	1,132	157	-	-
<b>Total</b>	<b>154,308</b>	<b>21,432</b>	<b>85,123</b>	<b>11,823</b>

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H) Depreciation during the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 and 2021, is integrated as follows:

<u>Description</u>	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Vehicle depreciation	13,066	1,815	59,086	8,206
Computer equipment depreciation	10,522	1,461	-	-
Tools depreciation	19,424	2,698	-	-
<b>Total</b>	<b>43,012</b>	<b>5,974</b>	<b>59,086</b>	<b>8,206</b>

I) Bank expenses, exchange differential and others as at December 31<sup>st</sup> are integrated as follows:

<u>Description</u>	<u>2022</u>		<u>2021</u>	
	<u>Quetzales</u>	<u>US Dollars</u>	<u>Quetzales</u>	<u>US Dollars</u>
Uncollectible accounts	3,750	522	32,045	4,451
Paypal commissions	799	111		
Bank fees	5,591	777	3,692	513
Exchange differential	(787,477)	(109,374)	(435,439)	(60,478)
<b>Total</b>	<b>(777,337)</b>	<b>(107,964)</b>	<b>(399,702)</b>	<b>(55,514)</b>

**14. INCOME TAX REVIEW**

For purposes of Income Tax (ISR), the Asociación Semilla Nueva is in the regime of exempt taxpayers before the Tax Administration - SAT- and according to Decree 6-91 "Tax Code", in its article 47, it is established that the right of the tax authorities to review the affidavits of the Income Tax (ISR) prescribes after four (4) years, counted from the date on which such declarations should have been presented. The Income Tax declarations of the last four (4) years have not yet been reviewed by the tax authorities.

**15. TAX ASPECTS**

According to the laws of the country, the Asociación Semilla Nueva has the following fiscal obligations:

- a. Make income tax withholdings to officials and employees when appropriate and remit them to the Superintendency of Tax Administration (SAT) within ten business days of the past due month.
- b. Make withholdings of 5% up to Q30,000.00 and 7% on the surplus of Q30,000.01, when the invoice is obtained, and special invoices when it is the purchase of goods and services and remit them to the treasury within 10 business days of the following month.
- c. Submit annual sworn income tax return on March 31<sup>st</sup> of each year.

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- d. Issue special invoices when suppliers do not issue a sales invoice, withhold Value Added Tax and report it to the treasury in the following calendar month.
- e. Enable and authorize the accounting, journal, ledger, inventory and balance books in the Superintendency of Tax Administration (SAT).
- f. Authorize the salary book and internal work regulations (When they have more than 10 employees).
- g. Report employees to the Guatemalan Social Security Institute (IGSS), when there are more than three people.
- h. Issue cash receipts for donations, authorized by the Superintendence of Tax Administration (SAT).
- i. Pay employment benefits.
- j. Compliance with Occupational Health and Safety Regulations.
- k. Have tax solvency.
- l. Be registered with the Special Verification Intendency (IVE) which is a requirement of the Superintendence of Banks of Guatemala (SIB).

### **16. CORONAVIRUS COVID-19 PARAGRAPH**

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The appearance of the Coronavirus COVID-19 in China as of January 2020 and its recent global expansion to a large number of countries, has led to the viral outbreak being classified on March 11, 2020 as a pandemic by World Health Organization.

Consistent with some countries that have taken similar measures, on March 6, 2020, the President of the Republic of Guatemala declared a state of Public Calamity throughout the national territory, establishing a series of measures through a modified Government Decree on March 21, 2020 which establishes, among other aspects, the limitation to the right of free locomotion, transit and circulation of people (with some exceptions established in the Decree) at specific times; limitation of concentration of people and suspension of public shows; and the establishment of minimum and maximum prices for certain items, goods, supplies or services related to the prevention, treatment, containment and response to the virus.

Some immediate impacts of these measures have translated into replanning the committed budgets. The Organization's administration has been establishing some actions consistent with the effect of these provisions, such as prioritizing the activities programmed together with the people in charge to close the year in the best possible way. Given the recentness of these events and the measures established both by the President of Guatemala and by the rest of the countries in similar situations, the economic impacts and the consequences for the Organization's operations in the medium term will depend to a great extent on the evolution and spread

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of the pandemic in the coming months, as well as the reaction and adaptation capacity of all the affected economic agents. However, management estimates that these effects will not have a significant impact on the Organization's ability to continue as a going concern for a period of 12 months.

**17. DISPUTES**

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According to the letters received from the lawyers of the Asociación Semilla Nueva, Semilla Nueva S.A. and Semilla Nueva 501 (c) (3) there are no labor and fiscal contingencies that could harm the institutions.

**18. SUBSEQUENT EVENTS**

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Asociación Semilla Nueva, Semilla Nueva S.A. and Semilla Nueva 501 (c) (3) have evaluated subsequent events beginning December 31, 2022 to determine the need for potential disclosures or records in the financial statements. Such events were evaluated until January 19, 2023, the 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 that could significantly affect them.

**19. APPROVAL OF FINANCIAL STATEMENTS**

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The combined financial statements for the year ended December 31, 2022 have been approved for issuance by management on January 31<sup>st</sup>, 2023.

# SEMILLA NUEVA

## Appendix “A” Audit Procedures

As at December 31<sup>st</sup>, 2022 and 2021

As part of an audit in accordance with International Standards on Auditing (ISAs), the auditor exercises professional judgment and maintains professional skepticism throughout the audit. We also:

- We identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, we design and perform audit procedures that responded to those risks; and obtained sufficient audit evidence and appropriate to provide the basis for our opinion.
- We obtained an understanding of internal control material to the audit in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of internal control over the Asociación Semilla Nueva, Semilla Nueva S.A. and Semilla Nueva 501 (c) (3).
- We assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude on the appropriateness of management’s use of the going concern basis of accounting.
- We evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying events and transactions in a manner that achieves fair presentation.
- We communicate with those charged with governance the Asociación Semilla Nueva, Semilla Nueva S.A. and Semilla Nueva 501 (c) (3) in relation to other matters, the expected scope and time of the audit and the results, especially in aspects of internal control.
- We also provide those charged with governance with the Asociación Semilla Nueva, Semilla Nueva S.A. and Semilla Nueva 501 (c) (3) a statement that we have complied with applicable ethical requirements in relation to independence and communicated with them about all relationships and other matters that can reasonably be expected to affect our independence and, where appropriate, the corresponding safeguards.