

ASOCIACIÓN PLANTANDO SEMILLAS AUDITOR´S REPORT DECEMBER 31, 2023

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AUDITOR'S REPORT

Board Directors

Asociación Plantando Semillas

Guatemala, Guatemala

We have audited the Statement of Financial Position that is accompanied by **Asociación Plantando Semillas** as of December 31, 2023, the Statement of Income and Expenses, Cash Flows and the Statement of Change in Net Assets that ended on that date. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Qualified Opinion

In our opinion, the financial statements present fairly, with respect to all material aspects, except for what is indicated in the paragraph "Basis for Qualified Opinion" and its future effects, the financial position of **Asociación Plantando Semillas**, as at December 31 of 2022, of the results of its operations and its cash flows for the year that ended on that date in accordance with the tax accounting criteria of Decreto 10-2012 Ley de Actualización Tributaria Libro I del Impuesto Sobre la Renta.

Basis for Qualified Opinion

We have conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility under those standards is further described in the Auditor's Responsibility section for the Audit of the Financial Statements of our report. We are independent of the association in accordance with the ethical requirements applicable to our audit of the financial statements in Guatemala, and we have complied with our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained provides a sufficient and appropriate basis for our qualified opinion, as detailed below:

- a) It was determined that in the community programs account, there is a balance of Q 192,324.00, expenses corresponding to the payment of services to various program facilitators, without the corresponding legal support.

Effect on the organization.

The economic impact of a review by a governmental entity could highly affect the liquidity of the institution, which could lead it to a point of insolvency and must close its operations or lose its tax-exempt status, derived from the following points:

- ✓ There is a legal contingency with the Ministerio de Trabajo, due to the lack of contracts, which must be authorized by the entity.

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- ✓ Legal contingency due to a claim by a person who has been requested to provide his services, at the Inspección de Trabajo, for claiming unaidable benefits and compensation.
 - ✓ It was determined that this item includes payments to a foreign person who does not have a work permit in Guatemala.
 - ✓ Fines and penalties from the Instituto Guatemalteco de Seguridad Social, for determining an employment relationship without a permit from Immigration.
 - ✓ Fines and penalties from the Superintendencia de Administración Tributaria, for rendering services without an invoice.
- b) Failure to provide the Ministry of Labor with the passwords for the registration of personnel employment contracts.

Effect on the organization.

Recent amendments to the labor laws by the Congress of the Republic have increased the penalties for employers who do not comply with the obligations established by the Labor Code, labor regulations and even provisions of the International Labor Organization, ranging from 2 to 18 minimum wages for each obligation that has not been fulfilled with the registration of employment contracts in the systems of the Ministry of Labor.

Emphasis of matter paragraphs - Basis of accounting and restriction on distribution

We draw attention to Note 3 to the financial statements, which describes the basis of accounting. Our report is intended solely for the partnership and its associates and should not be distributed by parties other than the partnership or its associates. Our opinion has not been modified in relation to this paragraph.

Responsibilities of the Board of directors and Management.

The management is responsible for the preparation of the attached financial statements in accordance with the tax accounting criteria of Decreto 10-2012 Ley de Actualización Tributaria, Libro I del Impuesto Sobre la Renta de la Republica de Guatemala, as well as the internal control that the management deems necessary, to enable the preparation of financial statements that are free from material misstatement, due to fraud or error.

In preparing the financial statements, the association's management is responsible for assessing the entity's ability to continue as a going concern and using the going concern basis of accounting, unless management intends to liquidate the association or cease its operations, or there is no other realistic alternative.

Those responsible for the entity's governance are also responsible for the supervision of the association's financial information.

Responsabilidad del auditor en relación con la auditoría de los estados financieros

Our objectives are to obtain reasonable assurance about whether the amounts in the financial statements, taken 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.

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During our audit process, we obtain reasonable assurance, which is a high degree of assurance on operations, but is not a guarantee that an audit performed in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Material misstatements, whether due to fraud or error, are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit, which is included within ISA 200:

- ✓ We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than for a material misstatement due to error, as fraud may involve collusion, forgery, intentional omissions, deliberate misstatements, or the circumvention of internal control.
- ✓ Obtained an understanding of internal control relevant to the audit to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control.
- ✓ We conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions could cause the Association to cease to be a going concern.
- ✓ We assessed the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicated with the government officials of the association regarding, among other issues, the scope and timing of the planned audit and the significant findings of the audit, as well as any significant deficiencies in internal control that we identified during the audit.


Licenciado José Amaya
CONTADOR PÚBLICO Y AUDITOR
COLEGADO No. 2872
NIT 15471101

La Antigua Guatemala 17 de marzo del 2024

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ASOCIACIÓN PLANTANDO SEMILLAS
STATEMENT OF FINANCIAL POSITION
AS DECEMBER 31, 2023
CURRENCY QUETZALES

	Notes	2,023	2,022
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
		173,475.69	704,812.47
Bank	04	173,093.19	700,248.57
Pending deposits		382.50	4,563.90
<u>NON CURRENT ASSETS</u>			
		4,761,661.25	3,436,845.83
Land		270,000.00	270,000.00
Property	05	1,317,538.75	1,317,538.75
Building	05	3,514,035.91	0.00
Depreciable fixed assets	05	66,964.45	20,978.45
-) Cumulated depreciation	05	-406,877.86	-365,972.00
Building in process		0.00	2,194,300.63
TOTAL ASSETS		4,935,136.94	4,141,658.30
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
		2,200.00	0.00
Payables account		4,402.99	968.41
Cuota Laboral IGSS por Pagar		9,726.60	2,139.34
Cuota Patronal IGSS por Pagar		256.84	646.50
ISR payable (taxes)		72,812.11	10,377.65
Severance reserve	2e	89,398.54	14,131.90
TOTAL LIABILITIES		89,398.54	14,131.90
<u>EQUITY</u>			
		4,124,117.90	2,364,248.28
Patrimony		721,620.50	1,763,278.12
Cumulated earning		4,845,738.40	4,127,526.40
Total equity and cumulated earning		4,935,136.94	4,141,658.30
TOTAL LIABILITIES AND EQUITY		4,935,136.94	4,141,658.30

The notes are an integral part of this report.

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ASOCIACIÓN PLANTANDO SEMILLAS
STATEMENT OF INCOME AND EXPENSES
FROM JANUARY 01 TO DECEMBER 31, 2023
CURRENCY QUETZALES

	Notes	2,023	2,022
<u>INCOME</u>			
Donations		3,047,426.50	3,038,278.59
Others income		268.65	0.00
TOTAL INCOME		3,047,695.15	3,038,278.59
<u>OPERATION EXPENSES</u>			
Staff expenses	06	1,266,807.10	453,104.53
Asministrative expenses	07	111,687.26	260,863.08
Services expenses	08	50,367.00	29,815.00
School expenses	09	53,968.05	33,223.99
Reinforcement Expenses	10	51,016.72	32,692.78
Families support	11	44,841.81	39,424.98
Meal and drink	12	37,472.11	34,002.07
Utilities	13	19,794.29	4,638.09
Communication services	14	19,592.27	9,490.26
Rent and security	15	110,314.32	9,790.00
Repairs and Maintenance	16	35,653.94	28,172.83
Property, plant and equipment - menor	17	1,764.00	249.00
Travel expenses	18	5,841.76	0.00
Transport and vehicle expenses	19	59,328.86	48,287.90
Fundraising expenses	20	146,437.05	15,059.23
Organizational, development and recruitment	21	47,365.50	19,841.32
Office supplies	22	15,432.52	26,660.89
Community programs	23	194,324.00	192,085.00
Others expenses		13,160.23	6,258.22
Missing petty cash		0.00	144.17
Depreciation and amortization		40,905.86	31,197.13
TOTAL EXPENSES		2,326,074.65	1,275,000.47
RESULT		721,620.50	1,763,278.12

The notes are an integral part of this report.

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ASOCIACIÓN PLANTANDO SEMILLAS
STATEMENT OF CASH FLOWS
AS DECEMBER 31, 2023
CURRENCY QUETZALES

	2,023	2,022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Result	721,620.50	731,780.14
<u>Reconcile net income to net cash</u>		
Banks	0.00	1,891.00
Pending deposits	-3,408.50	0.00
Advance expenses	0.00	7,500.00
Payables account	2,200.00	0.00
Cuota Patronal IGSS payable	3,434.58	-24.71
Cuota Laboral IGSS payable	7,587.26	-54.56
ISR payable (taxes)	-389.66	-287.22
Severance reserve	62,434.46	455.54
Cumulated depreciations	40,905.86	32,445.17
Sub-total	<u>112,764.00</u>	<u>41,925.22</u>
Net cash provided by operating activities	834,384.50	773,705.36
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Land	0.00	0.00
Fixed asset	-45,986.00	0.00
Property	0.00	0.00
Building	-3,514,035.91	0.00
Building in process	2,194,300.63	-353,613.93
Net cash used for investing activities	<u>-1,365,721.28</u>	<u>-353,613.93</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net increase in cash during this period	-531,336.78	420,091.43
+) Inital balance	704,812.47	218,491.63
Cash at the end of the year	<u>173,475.69</u>	<u>638,583.06</u>

The notes are an integral part of this report.

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**ASOCIACION PLANTANDO SEMILLAS
FINANCIAL NOTES
AS DECEMBER 31, 2,023**

Nota 1 – CONSTITUTION

The Association of Early Education Teachers Planting Seeds was constituted on June 8, 2012, in accordance with the legal provisions of the Republic of Guatemala. Its main objective is to contribute to the educational, social, and cultural development of low-income children, as well as to assist low-income families. The fiscal domicile of the association is Kilometer 26.5 of the San Lucas Highway on the road to Cerro Alux, San Lucas Sacatepéquez, and its duration is indefinite. It was constituted as a non-profit association.

Nota 2 - CURRENCY

The financial statements of the association are expressed in quetzales, the official currency of the Republic of Guatemala, and the place where the operations are carried out; variations in the exchange rate of the foreign currency arising during the accounting period are settled at year-end at the exchange rate in effect at the closing date.

Nota 3 - MAIN ACCOUNTING POLICIES AND PRACTICES

The financial statements have been prepared in all material respects in accordance with the fiscal accounting criteria of Decreto 10-2012, Ley de Actualización Tributaria, Libro I del Impuesto Sobre la Renta, and adaptation to International Financial Reporting Standards. The main policies for the preparation and presentation of the financial statements are detailed as follows:

a) Property, Plant and Equipment

Property, plant, and equipment are recorded at acquisition cost; depreciation is recorded by the straight-line method according to the estimated useful life of the assets. Repair expenses that do not extend the useful lives of the assets are expensed in the period in which they are incurred. Depreciation is provided on an annual basis and is estimated to have a useful life of 5 years.

b) Computer equipment

Computer equipment is recorded at cost, depreciation is recorded on a straight-line basis according to the estimated useful life of the assets. Repair expenses that do not extend the useful life of the assets, as well as software, are expensed in the period in which they are incurred. Depreciation is provided on an annual basis and is estimated to have a useful life of 3 years.

c) Building

Depreciation of buildings is recorded by the straight-line method according to the estimated useful lives of the assets. Repair and maintenance expenses that do not extend the useful life of the asset are charged to income in the period in which they are incurred. Depreciation is provided annually and is estimated to have a useful life of 20 years in accordance with internal policies.

d) Revenue recognition

Contributions received because of activities and/or operation of the Association, contributions received because of inheritances, legacies or donations are considered as income, provided they have already been executed.

Also considered as income are donations in kind received by the Association through its donors, which are recorded at their fair value.

e) Severance reserve

Labor benefits are paid to employees in the form and on the dates stipulated by the labor code. A provision is made for labor benefits with the legal percentages established by the labor code for the following items: Bonus 14 at 8.33%, Christmas bonus at 8.33%, Vacation at 4.17% and severance at 8.33%; for a total of 29.16%.

External Audit Considerations, during review

The accounting policies printed and approved by the Board of Directors, indicating the accounting procedures and basis of operations, have not been available.

Note 4 – BANKS

As of December 31, 2023, the bank accounts were as follows:

Obs.	Account	Balance
1111	Banco Industrial Cuenta # 220-003099-3	Q 0.17
1113	Banco Industrial Cuenta # 749-004039-6	Q 165,003.57
1114	Banco Industrial Cuenta # 749-005938-8	Q 8,089.45
	Total =	Q 173,093.19

The authorized signatures for all bank accounts are Madeli Samara Quiñonez and Martina García; 2 joint signatures are required on each check.

Note 5 – DEPRECIABLE FIXED ASSETS AND PROPERTY

As of December 31, 2023, the Depreciable Fixed Assets account is composed as follows:

Assets	initial balance 2022	Add 2023	Cumulated depreciations	Book value
Land	Q 270,000.00	Q -	Q -	Q 270,000.00
Property / Building	Q 1,317,538.75	Q 3,514,035.91	Q 381,020.14	Q 4,450,554.52
Furniture and equipment	Q 6,437.45	Q 10,925.00	Q 3,173.57	Q 14,188.88
Computer equipment	Q 14,541.00	Q 35,061.00	Q 22,684.15	Q 26,917.85
Buildind in process	Q 2,194,300.63	Q 1,319,735.28	Q 3,514,035.91	Q -
Totales =	Q 3,802,817.83	Q 4,879,757.19	Q 3,920,913.77	Q 4,761,661.25

Note 6 – STAFF EXPENSES

As of December 31, 2023, staff expenses were as follows:

Obs.	Account	Balance
512	Salaries staff	Q 871,253.10
513	Legal bonus	Q 72,165.10
514	Cuota Patronal IGSS	Q 92,962.70
514a	Cuotas IGSS in excess	Q 12,700.04
515	Severance	Q 217,726.16
	Total =	Q 1,266,807.10

Note 7 – ADMINISTRATIVE EXPENSES

As of December 31, 2023, administrative expenses will be integrated as follows:

Obs.	Account	Balance
521	Volunteer support	Q 111,247.26
523	Program supervision	Q 440.00
	Total =	Q 111,687.26

Note 8 – SERVICES EXPENSES

As of December 31, 2023, the Expenses Services account is composed as follows:

Obs.	Account	Balance
531	Profesional fees	Q 3,752.00
532	Technical fees	Q 33,465.00
533	Auditing fees	Q 13,150.00
	Total =	Q 50,367.00

Note 9 – SCHOOL EXPENSES

As of December 31, 2023, the School Expenses account is composed as follows:

Obs.	Account		Balance
541	Registration	Q	2.00
542	Monthly payments	Q	10,465.00
5434	School Expenses - Other	Q	20,098.25
543	External School Expenses - Other	Q	22,855.80
545	School Uniforms	Q	547.00
	Total =	Q	53,968.05

Note 10 – REINFORCEMENT EXPENSES

As of December 31, 2023, the Reinforcement Expenses account is composed as follows as follows:

Obs.	Account		Balance
551	Consumable supplies	Q	23,852.84
552	Special activities	Q	27,163.88
	Total =	Q	51,016.72

Note 11 – FAMILIES SUPPORT

As of December 31, 2023, the Family Support account is composed as follows:

Obs.	Account		Balance
561	Families support	Q	40,381.81
569	Reinforcement families	Q	4,460.00
	Total =	Q	44,841.81

Note No 12 – MEAL AND DRINK

As of December 31, 2023, the Food and Drink account is composed as follows:

Obs.	Account		Balance
571	Food	Q	37,472.11
	Total =	Q	37,472.11

Note 13 – UTILITIES

As of December 31, 2023, the utilities account is composed as follows:

Obs.	Account	Balance
581	Municipal water	Q 2,494.92
582	Electricity	Q 15,484.37
583	Gas	Q 1,815.00
	Total =	Q 19,794.29

Note 14 – COMMUNICATION SERVICES

As of December 31, 2023, the Communication Services account is composed as follows:

Obs.	Account	Balance
591	Telephone	Q 8,978.98
592	Internet	Q 7,867.62
593	Cellphone	Q 2,745.67
	Total =	Q 19,592.27

Note 15 – RENT AND SECURITY

As of December 31, 2023, the Rent and Security account is composed as follows:

Obs.	Account	Balance
601	Rent	Q 6,010.00
602	Security	Q 103,886.74
603	IUSI. (Property tax)	Q 417.58
	Total =	Q 110,314.32

Note 16 – REPAIRS AND MAINTENANCE

As of December 31, 2023, the Repairs and Maintenance account is composed as follows:

Obs.	Account	Balance
611	Maintenance of Casa Patronal	Q 11,652.75
612	Maintenance Sacalá	Q 3,445.00
615	Cleaning Supplies	Q 20,556.19
	Total =	Q 35,653.94

Note 17 – PROPERTY, PLANT, AND EQUIPMENT - MENOR

As of December 31, 2023, Property, Plant and Equipment - Minor is composed as follows as follows:

Obs.	Account	Balance
621	Furniture and equipment - Menor	Q 1,504.00
622	Computer equipment - Menor	Q 260.00
	Total =	Q 1,764.00

Note 18 – TRAVEL EXPENSES

As of December 31, 2023, the Travel Expenses account is composed as follows as follows:

Obs.	Account	Balance
631	Airfare and Transportation	Q 5,191.76
633	Travel Expenses - Other	Q 650.00
	Total =	Q 5,841.76

Note 19 – TRANSPORT AND VEHICLE EXPENSES

As of December 31, 2023, vehicle and transportation costs are as follows:

Obs.	Account	Balance
641	Transport for staff	Q 42,188.46
642	Gas	Q 12,495.00
643	Parking and Carwash	Q 3,088.00
644	Taxes	Q 225.00
645	Vehicle repairs	Q 1,332.40
	Total =	Q 59,328.86

Note 20 – FUNDRAISING EXPENSES

As of December 31, 2023, the fundraising expenses account is composed as follows:

Obs.	Account	Balance
651	Training of teachers	Q 2,417.20
652	Donor attention	Q 551.30
653	Tours, Conference, Visitors	Q 143,468.55
	Total =	Q 146,437.05

Note 21 – ORGANIZATIONAL, DEVELOPMENT, AND RECRUITMENT

As of December 31, 2023, the Organizational Development and Recruitment account is composed as follows:

Obs.	Account	Balance
661	Officer and Board Activity	Q 19,577.60
662	Staff Training	Q 27,787.90
	Total =	Q 47,365.50

Note 22 – OFFICE SUPPLIES

As of December 31, 2023, the Office Supplies account is composed as follows:

Obs.	Account	Balance
671	Office supplies	Q 13,047.52
672	Computer Maintenance and Supplies	Q 2,385.00
	Total =	Q 15,432.52

Note 23 – COMMUNITY PROGRAMS

As of December 31, 2023, the Community Programs account is composed as follows:

Obs.	Account	Balance
681	Community Center	Q 52,864.50
682	Sport Program	Q 79,425.50
683	Crianza con Cariño Madres program	Q 6,175.00
684	Crianza con Cariño Padres program	Q 13,684.00
685	Dance Program	Q 625.00
686	After School Program	Q 2,300.00
687	Vamos Chicas program	Q 3,400.00
688	English Program	Q 30,300.00
689	Tutoring and Library Program	Q 5,550.00
	Total =	Q 194,324.00

Note 23 – FISCAL CONTINGENCY

Asociación Plantando Semillas, is an entity registered as a tax-exempt entity under the regulations of the Republic of Guatemala. In accordance with the Income Tax Law, the entity is required to file an Annual Income Tax Return. The accounting years ended December 31, 2019, 2020, 2021 and 2023 are pending review by the tax authorities. The State's right to make the revisions expires after four years.