

CASA SITO ASSOCIATION AND ITS
DEPENDENT

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022
(WITH AUDIT REPORT ISSUED BY AN
INDEPENDENT AUDITOR)

CASA SITO ASSOCIATION AND ITS DEPENDENT

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AUDIT REPORT ISSUED BY AN INDEPENDENT AUDITOR

CASA SITO ASSOCIATION AND ITS DEPENDENT

We have audited the accompanying balance sheet of **CASA SITO ASSOCIATION AND ITS DEPENDENT** as of December 31, 2022, the statement of activities and the statement of cash flows for the year ended on that date. These financial statements are the responsibility of the management of **CASA SITO ASSOCIATION AND ITS DEPENDENT**. Our responsibility is to express an opinion on these combined financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements reasonably present, in all material respects, the financial condition of **CASA SITO ASSOCIATION AND ITS DEPENDENT** as of December 31, 2022 and the results of its operations and its cash flows for the year ended on that date, in accordance with generally accepted accounting principles in the United States (US GAAP).



Wendy Janeth García Miranda

Guatemala, April 25, 2023.

CASA SITO ASSOCIATION AND ITS DEPENDENT**Balance sheet****As of December 31, 2022****(Expressed in Quetzales and USD)**

	Note	Q.	\$
Asset			
Current assets			
Cash and banks	4	983,184	126,864
Accounts receivable	5	24,575	3,171
		-----	-----
Total current assets		1,007,759	130,035
		-----	-----
Non-current assets			
Equipment	6	8,012	1,034
		-----	-----
Total non-current assets		8,012	1,034
		-----	-----
Total assets		1,015,771	131,069
		=====	=====
Liabilities and funds			
Current liabilities			
Accounts payable	7	6,793	877
		-----	-----
Total current liabilities		6,793	877
		-----	-----
Total liabilities		6,793	877
		-----	-----
Funds			
Funds		110,501	14,258
Initial balance		698,518	90,132
income received		2,819,449	363,805
Expenses incurred		(2,619,490)	(338,003)
		-----	-----
Excess income over expenses for the period		898,477	115,934
		-----	-----
Total funds		1,008,978	130,192
		-----	-----
Total liabilities and funds		1,015,771	131,069
		=====	=====

See notes accompanying these financial statements.

CASA SITO ASSOCIATION AND ITS DEPENDENT**Statement of Income and Expenses****For the financial year from January 1 to December 31, 2022****(Expressed in Quetzales and USD)**

	Note	Q.	\$
Income			
Initial balance		698,518	90,132
Donations	8	2,814,130	363,119
Other income		5,319	686
		-----	-----
Total income		3,517,967	453,937
		-----	-----
Expenses			
Operating costs	9	(2,618,636)	(337,893)
Other expenses and products		(854)	(110)
		-----	-----
Total expenses		(2,619,490)	(338,003)
		-----	-----
Excess of income over expenses for the period		898,477	115,934
		=====	=====

See notes accompanying these financial statements.

CASA SITO ASSOCIATION AND ITS DEPENDENT

**Summary of Significant Accounting Policies and
Explanatory Notes to the Financial Statements
For the year ended December 31, 2022
(Expressed in Quetzales and USD)**

Note 1 – Reporting entity

ASOCIACION CASASITO, was established on August 10, 2009, with public deed No. 158 private (non-governmental) social, union, cultural, non-profit, apoli4political, religious, educational and charitable with the aim of working to increase educational opportunities in Guatemala and promote the development of their communities, based on high standards in terms of human values, ethics and economic efficiency. The fiscal domicile is in section B, 7-0, colonia San Pedro El Panorama, Antigua Guatemala, Sacatepéquez.

ASOCIACION CASASITO USA was registered according to a certificate of incorporation in the Texas Department of Corporations, registration number 800362191 on July 1, 2004 as a non-profit corporation, with the objective of working to increase educational opportunities for poor children in the world in development financial support to projects that work to achieve the objectives based on high standards in terms of human values, ethics and economic efficiency. Address 7424 Tovar Dr., Austin city, Texas State.

Note 2 – Monetary unit

The financial statements are expressed in Quetzales, the official currency of the Republic of Guatemala.

Note 3 – Significant accounting policies

The attached financial statements of **CASA SITO ASSOCIATION AND ITS DEPENDENT** have been prepared in accordance with fiscal accounting criteria Decree 10-2012 Tax Update Law, Book I of the Income Tax of the Republic of Guatemala and the summary and accounting practices contained in the Accounting Manual and Accounting Procedures adopted by the Association, outlined below:

a) Cash and Banks

Includes cash and bank balances, bank balances are available on demand and there is no restriction on them that limits their use.

b) Equipment

The fixed assets acquired by the Association are recorded at their acquisition cost. Depreciation is charged to distribute the cost of the assets throughout their estimated useful life, applying the straight-line method, according to the following rates:

<u>Asset</u>	<u>Percentage</u>
Furniture and equipment	20.00
Computer equipment	33.33
Properties	70.00
Literary material	10.00

Fixed assets are not assigned any residual value to be depreciated, they are fully depreciated, and the cost and accumulated depreciation remain in the respective accounts until these assets are sold or withdrawn from the Association.

c) Provisions

A provision is recognized only when the association has a present obligation (legal or constructive) as a result of a past event and it is probable that resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

d) Annual bonus

In accordance with the provisions of Decree No. 42-92 "Annual Bonus" the Association has the obligation to pay its employees the equivalent of one hundred percent (100%) of the ordinary salary or salary earned by the worker in one month. The Association charges the expense at the time of payment.

e) Provision for Christmas bonus

In accordance with the provisions of Decree Number 76-78 "Regulatory Law of the Christmas Bonus Benefit" for workers in the Private Sector, it establishes the obligation of the employer to grant its workers annually as a Christmas bonus, the equivalent of one hundred percent of the ordinary monthly salary or salary that they earn for one year of uninterrupted service and the corresponding proportional part. The Association charges the expense at the time of payment.

f) Severance

In accordance with the provisions of the Guatemalan Labor Code, the Association has the obligation to pay its employees compensation, equivalent to the ordinary salary plus the variable bonus, for each year worked plus economic benefits. The cost and the association's obligation to make severance payments to employees are recognized during the employees' periods of service. The Association charges the expense at the time of payment.

g) Revenue recognition

The income for Asociación Casasito comes from: donations from Casasito USA, individuals or an institution and will be recognized by the method of what is received.

h) Expense recognition

Expenses are recognized when they are made.

i) Accounting year

The accounting period is from January 1 to December 31 of each year.

Note 4 – Cash and Banks

As of December 31, cash and banks, is integrated as follows:

	Q.	\$
Operating cash \$	69	9
Operation cash Q	427	55
	-----	-----
	496	64

Foreign currency bank	563,959	72,770
Local currency bank	418,729	54,030
Total banks	983,184	126,864
	=====	=====

Note 5 – Other accounts receivable

As of December 31, other accounts receivable are made up as follows:

	Q.	\$
Advance labor benefits	22,575	2,913
Employee loan	2,000	258
Total other accounts receivable	24,575	3,171
	=====	=====

Note 6 – Equipment

As of December 31, net fixed assets are integrated as follows:

	Q.	\$
Properties	920,000	118,711
Furniture and equipment	57,047	7,361
Computer equipment	36,082	4,656
Literary material	4,273	551
Balances as of 12/31/2022	1,017,402	131,279
Accumulated depreciation	(1,009,390)	(130,245)
Total equipment	8,012	1,034
	=====	=====

Note 7 – Accounts payable

As of December 31, accounts payable are made up as follows:

	Q.	\$
Labor and employer contribution payable	6,130	791
Income Tax Withholding Employees	663	86
Total accounts payable	6,793	877
	=====	=====

Note 8 – Income

As of December 31, income is made up as follows:

	Q.	\$
Contributions received	989,404	127,667
Event collection income	53,567	6,912

Total income Casasito USA	1,042,971	134,579
International donations	1,655,428	213,607
National donations	84,127	10,855
National donations in kind	31,604	4,078
Total income Casasito Guatemala	1,771,159	228,540
Total income	2,814,130	363,119
	=====	=====

Note 9 – Project expenses

As of December 31, project expenses are made up as follows:

	Q.	\$
Antigua expenses	1,104,231	142,483
Donations Casasito	578,815	74,687
Expenses Coban	404,426	52,184
Other expenses	695	90
Total program expenses	2,618,636	337,893
	=====	=====

Note 10 – Special events

CASASITO USA ASSOCIATION AND ITS DEPENDENT as of December 31, 2022, no special situations were known to have had an impact on the results.

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AUDITOR'S REPORT ON THE INTERNAL CONTROL SYSTEM

CASA SITO ASSOCIATION AND ITS DEPENDENT

We have audited the financial statements of **CASA SITO ASSOCIATION AND ITS DEPENDENT**, for the period from January 1 to December 31, 2022, as well as a summary of significant accounting policies and other explanatory information, and we have issued our report on April 2023.

Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements, as well as plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

When planning and executing our audit of **CASA SITO ASSOCIATION AND ITS DEPENDENT**, we took internal control into consideration to determine our procedures and to be able to express our opinion on the financial statements and not issue an opinion on the internal control of the Program.

The administration of **CASA SITO ASSOCIATION AND ITS DEPENDENT** is responsible for establishing and maintaining internal control. To fulfill this responsibility, management must make estimates and judgments to assess the benefits and costs associated with internal control policies and procedures. The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are protected against loss or unauthorized disposition and those transactions are executed in accordance with management authorizations and are properly recorded to enable preparation of the financial statements in accordance with the accounting bases described in this report. Due to the inherent limitations of internal control, errors and irregularities can occur and go undetected.

In addition, the projection of any evaluation of internal control to future periods is subject to the risk that the procedures become inadequate due to changes in conditions or that the effectiveness of the design and function of the policies and procedures deteriorate.

For the purposes of this report, we have classified internal control policy procedures into the following categories Existence or incidence, integrity, rights and obligations, assessment or assignment, presentation and disclosure.

In relation to the aforementioned categories of internal control, we have obtained an understanding of the design of significant policies and procedures and their operation, and we assess internal control.

Our examination of internal control does not necessarily disclose all aspects of internal control that could constitute significant deficiencies. A significant deficiency is a situation in which the design and operation of specific elements of internal control do not reduce to a relatively low level the risk of errors or irregularities occurring in amounts that could be material in relation to the financial statements, and that they are not adequately detected by employees in the normal exercise of their duties. We do not observe any issues related to internal control and its operation that we consider to be significant deficiencies as defined above.

However, during the performance of our work we have observed some issues related to internal control and its operation, which are mentioned in the internal control report.

Our report is addressed solely to **CASA SITO ASSOCIATION AND ITS DEPENDENT**. This restriction is not intended to limit the distribution of this report, which is in the public interest.

GARCIA SIERRA Y ASOCIADOS, S.C.
Member of
RUSSELL BEDFORD INTERNATIONAL

Wendy Janeth Garcia Miranda

Guatemala, April 24, 2023.

CASA SITO ASSOCIATION AND ITS DEPENDENT

LETTER TO MANAGEMENT ON THE INTERNAL CONTROL SYSTEM

In this Letter to Management on the Internal Control System, we describe the situations found in the review and include our recommendations, which are intended to strengthen the internal control of **CASA SITO ASSOCIATION AND ITS DEPENDENT** as of December 31, 2022.

The comments on the situations encountered are structured as follows:

Condition:

Describe the situation found.

Recommendation:

Describes our recommendation on the condition found.

Point of view:

Space provided for the comments that the administration of the Association makes, in relation to the conditions found. We must indicate that your comments are very important, since they will serve for its implementation and consequently improve the internal control of the **CASA SITO ASSOCIATION AND ITS DEPENDENT** in the short term. Likewise, it will help us to be able to issue our Letter to Management in its final version and verify its implementation in future visits.

CASASITO USA

CASH AREA

No.	DEFICIENCIES IN RECONCILIATIONS								Risk	
1.	Classification								High	
									Medium	
	x	Compliance	x	Supervision	x	Human error		Resources	Low	x

Condition as of December 31, 2022:

Failure to carry out bank reconciliations of the Banco G&T Continental account No. 30-30-2011067-7 from January to December 2022

Recommendation:

The bank reconciliation must be carried out on a monthly basis in order to verify and validate that the movements made by the bank are the same as those that have been authorized by the Entity and to detect if there is any transaction in transit.

Association Point of View:

There were given the reconciliations that we obtain from our system, however the only thing that the system does not allow is our signature.

No.	THERE ARE BANK ACCOUNTS THAT ARE NOT IN THE NAME OF CASASITO								Risk	
1.	Classification								High	
									Medium	
	x	Compliance	x	Supervision	x	Human error		Resources	Low	x

Condition as of December 31, 2022:

There are bank accounts which are not in the name of Casasito USA as detailed below:

BANK	Balance at 12.31.2022 in Q.	Balance as of 12.31.2022 in \$.
Promerica Bank Q No. 32092060107474	2,147.68	277.12
Promerica Bank \$ No. 42092540005859	7,998.36	1,032.06
USA G&T Q Savings 52-4039331-7	210,535.23	27,166.19

Recommendation:

The accounts that are registered in the Financial Statements of the Entity must be in their name in order to correctly support those expenses that the Entity makes using the cash deposited in these accounts.

Association Point of View:

We were unable to open the bank account under the name of Casa Sito Association in Promerica Bank because it is a USA-registered association, we followed the bank recommendation and opened the account under our legal representative name. The same condition applies to the GyT saving account.

ASOCIACION CASASITO

CASH AREA

No.	DEFICIENCIES IN BANK RECONCILIATIONS							Risk	
1.	Classification							High	x
								Medium	
		Compliance	x	Supervision	x	Human error		Resources	Low

Situation as of December 31, 2022:

The reconciliations do not have a signature and date of preparation, review and approval.

Recommendation:

It is important that the bank reconciliations indicate the name, signature and date of the persons involved in the processes in order to show their validation in relation to the operations that are registered by the bank and in additional reconciliation if they are being prepared timely to know the cash available.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

No.	LACK OF LIABILITY LETTER OF PETTY CASH							Risk	
2.	Classification							High	
								Medium	x
		Compliance		Supervision	x	Human error		Resources	Low

Situation as of December 31, 2022:

Petty cash is handled for each extracurricular activity by program directors; they do not have a letter of responsibility for the petty cash they manage.

Recommendation:

It is necessary to make a letter of responsibility, to demonstrate the good management of the boxes as well as in the event of any situation regarding the management of cash, the responsibility can be deduced.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

ACCOUNTS RECEIVABLE AREA

No.	ADVANCE OF LABOR BENEFITS WITHOUT GUARANTEE							Risk	
1.	Classification							High	
								Medium	x
		Compliance		Supervision	x	Human error		Resources	Low

Situation as of December 31, 2022:

There is an advance accounting account for labor benefits for an amount of Q22,575 from the year 2021 of which there is no guarantee of how it will be settled due to the fact that no provisions and/or monthly discounts are made on the amount granted.

Recommendation:

It is advisable to collect this benefit on a monthly basis to be able to settle the account.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

No.	LACK OF SPECIFICATIONS ON ADVANCE WORK BENEFITS IN THE MANUAL							Risk	
2.	Classification							High	
								Medium	x
	x	Compliance		Supervision		Human error		Resources	Low

Situation as of December 31, 2022:

The manual to use indicates procedures for salary advances and labor benefits that can be granted to personnel.

Recommendation:

It is recommended to include in the manuals procedures to be able to make advances of salaries and labor benefits and the way that they should be discounted in order to guarantee the remuneration of the amount.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

FIXED ASSETS AREA

No.	LACK OF FIXED ASSETS INVENTORY							Risk	
1.	Classification							High	x
								Medium	
		Compliance	x	Supervision	x	Human error	x	Resources	Low

Situation as of December 31, 2022:

There is no inventory of fixed assets, which details the identification coding, date of acquisition, item, description and cost of each of the assets.

Recommendation:

It is important that an inventory of 100% of the assets be carried out in order to verify their existence and condition.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

No.	LACK OF FIXED ASSETS RESPONSIBILITY CARD							Risk	
2.	Classification							High	x
								Medium	
		Compliance	x	Supervision	x	Human error		Resources	Low

Situation as of December 31, 2022:

There is no responsibility card for each of the fixed assets that the entity has.

Recommendation:

Make responsibility cards for the assets that each collaborator manages and in this way be able to know who uses them, the conditions in which they are found and in case of loss or damage, be able to deduce the responsibility.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

No.	DEPRECIATION OF FIXED ASSETS							Risk	
3.	Classification							High	
								Medium	x
		Compliance		Supervision	x	Human error		Resources	Low

Situation as of December 31, 2022:

Fixed assets are depreciated, however there is no benefit due to the deductibility of the expense by SAT.

Recommendation:

Evaluate not making depreciation on fixed assets, since it is an accumulative of cash and does not generate any benefit for the association.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

FUNDS AREA

No.	BALANCE TO BE EXECUTED RECORDED AS EXCESS OF INCOME OVER EXPENSES							Risk	
1.	Classification							High	
								Medium	x
		Compliance	x	Supervision	x	Human error		Resources	Low

Situation as of December 31, 2022:

There are accounting accounts that are the accumulation of losses or gains from previous years, detailed below:

- Income over expenses for an amount of 396,188
- Excess of expenses over income for an amount of (609,709)
- Excess income over expenses for an amount of 316,824

Recommendation:

Evaluate changing the name of the accounting accounts of income over expenses to funds to be executed, in this way the closing balance will be the initial balance for the following year. Taking into account that the entity is an association, the balance at the end of each period must be the initial balance of the following period.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

PERSONAL RESOURCES AREA

No.	LACK OF DOCUMENTATION WITHIN PERSONNEL FILES							Risk	
1.	Classification							High	
								Medium	x
	x	Compliance	x	Supervision		Human error		Resources	Low

Situation as of December 31, 2022:

Taking into account the money laundering law, the personnel files do not have documentation that supports the information included in the resumes of each personnel, for example: documentation of studies, police and criminal records, DPI, data update sheet and asset status etc. Create policy, make sure staff is fine with it.

Recommendation:

It is necessary to collect all the documentation of each staff and place it in a file for each staff.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

EXPENDITURE AREA

No.	VARIATION IN THE BOOK OF WAGES								Risk	
1.	Classification								High	
									Medium	x
	x	Compliance	x	Supervision	x	Human error		Resources	Low	

Situation as of December 31, 2022:

The salary book presents differences as detailed below:

	According to wages book	According to IGSS payment	variation
Grace Carolina Aragon	3,000	2,000	1,000
Olga Leticia Corazantes Ba	-	1,000	-1,000

Recommendation:

It is necessary to carry out the corresponding procedures to correct the amounts in the salary book in order to avoid any sanction, in case of being visited for IGSS review.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

No.	LACK OF TRAVEL POLICY								Risk	
2.	Classification								High	
									Medium	x
		Compliance	x	Supervision	x	Human error		Resources	Low	

Situation as of December 31, 2022:

Transportation expenses are made with a basic per diem table which is not found in the manual and is not found as a policy.

Recommendation:

It is necessary for the entity to have a per diem policy that describes the procedures for liquidating expenses for the advances of activities that are carried out.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.

No.	BOARD OF DIRECTORS DOES NOT HANDLE MINUTES							Risk	
1.	Classification							High	x
								Medium	
	x	Compliance		Supervision		human error		Resources	Low

Situation as of December 31, 2022:

The Board of Directors does not write minutes for the meetings it holds.

Recommendation:

It is important that the Board of Directors record the meetings held through the minutes, in order to demonstrate the approvals of the operation, administration and acquisition activities that it carries out.

Association Point of View:

We agree with the recommendation, we will be working on improving our controls in the course of 2023.