

TRUST FUND GUATEMALA TFCA

Financial statements at December 31, 2012 and 2011
with the independent auditors' report

Report of the independent auditors

To the Oversight Committee of
**The Tropical Forest Conservation Fund (FCA) and
the Board Of Directors of The Conservation And Natural Resources
and Environment Of Guatemala Foundation (FCG)**

We have audited the accompanying financial statements of **Trust fund Guatemala - TFCA** (the trust fund), which comprise the statement of financial position as of December 31, 2012 and 2011, and the related statements of comprehensive activities, of changes in net assets in trust, and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management of the trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and internal control management determined as necessary to permit preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and adequate to provide a basis for our qualified audit opinion on the financial statements.

Opinion

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of Trust fund Guatemala - TFCA as of December 31, 2012 and 2011, and the results of its comprehensive activities, and its cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS).

Paragraph of emphasis

We performed our audit for the purpose of forming an opinion on the overall basic financial statements. The supplementary information on the translation of the financial statements for the years ended December 31, 2012 and 2011 (see Annex I herewith), and on trust-funded projects as at December 31, 2012 and 2011, pertaining to the second cycle of operations (Annex II), is presented for an additional analysis of the financial statements. This additional information was subjected to the same auditing procedures we applied to the overall financial statements and, in our opinion, this information is fairly presented, in all material respects aspects, in relation to the basic financial statements taken as a whole.



Gilmar D. Barrera
(Guatemalan) Certified Public Accountant
License No.6771

Guatemala, May 23, 2013

STATEMENTS OF FINANCIAL POSITION

Trust fund Guatemala TFCA

December 31,

(expressed in Quetzales)

	2012		2011	
ASSETS				
Cash (Note 4)	Q	138,955	Q	188,876
Interest receivable (Note 5)		1,472,887		1,799,892
Fixed-term deposits (Note 6)		71,283,564		66,177,881
TOTAL ASSETS		72,895,406		68,166,649
LIABILITIES				
Income taxes (Note 7)		6,468		53,012
Uncollected interest earned (Note 5)		1,472,887		1,799,592
TOTAL LIABILITIES		1,479,355		1,852,604
NET WORTH				
PRIMARY CAPITAL				
Permanently restricted trust fund		59,413,823		58,547,752
SUPPLEMENTARY CAPITAL				
Temporarily restricted retained earnings		12,002,228		7,766,293
TOTAL NET WORTH		71,416,051		66,314,045
TOTAL LIABILITIES AND NET WORTH	Q	72,895,406	Q	68,166,649

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

STATEMENTS OF COMPREHENSIVE INCOME

Trust fund Guatemala TFCA

years ended December 31,

(expressed in Quetzales)

	2012			2011			2010		
	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	2010
INCOME									
Financial products (Note 10)	Q 4,361,726	Q -	Q 4,361,726	Q 3,239,346	Q -	Q 3,239,346	Q 3,132,153	Q -	Q 3,132,153
Contributed by the Ministry of Finance (Note 8)	-	16,183,667	16,183,667	-	16,065,860	16,065,860	-	16,652,303	16,652,303
Other income (Note 11)	98,245	-	98,245	188,807	-	188,807	169,948	-	169,948
	4,459,971	16,183,667	20,643,638	3,428,153	16,065,860	19,494,013	3,302,101	16,652,303	19,954,404
ADMINISTRATIVE EXPENSES									
Administrative expenses (Note 12)	(44)	-	(44)	(3,732)	-	(3,732)	(974)	-	(974)
Allocations - 10% administrative expenses (Note 9)	-	(1,618,366)	(1,618,366)	-	(1,606,586)	(1,606,586)	-	(1,665,231)	(1,665,231)
Grants to projects (Note 9)	-	(13,699,230)	(13,699,230)	-	(7,568,803)	(7,568,803)	-	(10,205,463)	(10,205,463)
Income before income taxes	4,459,927	866,071	5,325,998	3,424,421	6,890,471	10,314,892	3,301,127	4,781,609	8,082,736
Income taxes (Note 14)	(218,064)	-	(218,064)	(160,102)	-	(160,102)	(156,164)	-	(156,164)
Excess income over disbursements	4,241,863	866,071	5,107,934	3,264,319	6,890,471	10,154,790	3,144,963	4,781,609	7,926,572
OTHER COMPREHENSIVE INCOME									
Foreign currency operating expenses (Note 13)	(5,929)	-	(5,929)	(1,217,747)	-	(1,217,747)	(56,665)	-	(56,665)
Net changes during the year	4,235,934	866,071	5,102,005	2,046,572	6,890,471	8,937,043	3,088,298	4,781,609	7,869,907
Net changes at beginning of year	7,766,294	58,547,752	66,314,046	5,719,721	51,657,281	57,377,002	2,631,423	46,875,672	49,507,095
TRUST FUND AT END OF YEAR	Q 12,002,228	Q 59,413,823	Q 71,416,051	Q 7,766,293	Q 58,547,752	Q 66,314,045	Q 5,719,721	Q 51,657,281	Q 57,377,002

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

STATEMENTS OF CHANGES IN TRUST FUND

Trust fund Guatemala TFCA

years ended December 31,

(expressed in Quetzales)

	2012	2011
PERMANENTLY RESTRICTED TRUST FUND (Note 8)		
CONTRIBUTIONS TO TRUST FUND		
Beginning balance	Q 87,859,651	Q 71,793,791
Contributed by the Ministry of Finance	16,183,667	16,065,860
Ending balance	104,043,318	87,859,651
CHARGES TO TRUST FUND (Note 9)		
Beginning balance	(29,311,898)	(20,136,510)
Allocations - 10% administrative expenses	(1,618,366)	(1,606,585)
Grants to projects	(13,699,230)	(7,568,804)
Ending balance	(44,629,494)	(29,311,898)
TOTAL PERMANENTLY RESTRICTED TRUST FUND	59,413,824	58,547,753
TEMPORARILY RESTRICTED RETAINED EARNINGS		
Retained gains on investments	7,766,293	5,719,721
Period net retained earnings	4,235,934	2,046,572
Ending balance	12,002,227	7,766,293
TOTAL PERMANENTLY RESTRICTED TRUST FUND (Note 8)	Q 71,416,051	Q 66,314,045

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

STATEMENTS OF CASH FLOWS

Trust fund Guatemala TFCA

years ended December 31,

(expressed in Quetzales)

	2012		2011	
CASH FLOWS FROM OPERATING ACTIVITIES				
Period net earnings	Q	4,235,934	Q	2,046,572
Net changes in assets and liabilities				
Cash provided by contributions (Note 8)		16,183,667		16,065,860
Grants provided to projects (Note 9)		(13,699,230)		(7,568,804)
Administrative expense disbursements (Note 9)		(1,618,366)		(1,606,585)
(Additions to) provided by investments		(5,105,683)		(30,519,054)
Other changes		300		(300)
Income taxes		(46,544)		(100,025)
Net cash provided by operating activities		(49,921)		(21,682,336)
Net changes in cash		(49,921)		(21,682,336)
Cash at beginning of year		188,876		21,871,212
CASH AT END OF YEAR	Q	138,955	Q	188,876

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

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

(1) Trust fund operations

Trust fund Guatemala TFCA (the "Trust fund") was organized for an indefinite time on September 30, 2008 under public deed No. 151 notarized by the attorney Karla Guerra de Balsells. Trust fund's offices are located in Guatemala City and its accounting period ends on December 31 of each year.

The trust fund has no headcount (payroll employees) of its own as it is managed by Banco G&T Continental as a trustee.

Trustor: the trustor is Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG (as Forest Conservation Fund administrator). Under trust fund creation provisions, 10% of patrimony disbursements are slated to cover administrative expenses.

FCG was created on March 27, 2000 as a private non-Government, not-for-profit, and non-political organization, for conservation, ecology, scientific, technological and cultural purposes, with its own legal status and capacity to acquire rights, enter into commitments, and undertake any activities considered necessary for it to achieve its goals.

FCG's general objective is to promote the conservation of biodiversity and the sustainable use of natural resources, environmental management, and sustainable development through a stable generation and disbursement of funds, services and projects management, providing specialized services in the environment area, projects funding, and management of the relevant environment projects.

FCG's mission is to obtain and provide financial resources for the conservation and sustainable management of Guatemala's natural and cultural patrimony, as a driver of the country's sustainable economic development, by way of either grants or/and providing services.

Trustees: trustees are those legal entities specified by the Trust fund as grant recipients and trustees up to grant sums and only for the time they maintain the status of grant recipients, together with one or more individuals designed as such by the Oversight Committee.

Trustee: Banco G&T Continental, S.A.

Patrimony in trust:

The patrimony in trust does embody:

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

- a) any sums the Government of Guatemala (GOG) may deposit to the debt service account as provided by FCA as summarized in Annex 1 (during the years 2012 and 2011, GOG deposited Q16,183,666 and Q16,065,860, respectively);
- b) any appreciation in value, interest income, and investments made from time to time on the basis of those funds; and
- c) any additional deposits made by third-parties as approved by the Oversight Committee and reported by the trustee through the trustor.

Trust fund purposes:

Trust fund purposes include compliance with the objectives of the Tropical Forest Conservation Fund based on the selection of grant recipients made by the Oversight Committee as provided by FCA's procedures and cover trust operating costs as approved by the Oversight Committee under those procedures, coupled to organize the Patrimony Fund in accordance with agreement terms.

FCA's Oversight Committee is organized as follows:

- Permanent members:
- a) U.S. Government (USAID)
 - b) Government of Guatemala (CONAP)
 - c) The Nature Conservancy (TNC)
 - d) Conservation International (CI)
- Fixed-term member: e) Civil Society Organization (2012 y 2011 IARNA- URL).

Tropical Forest Conservation Fund:

Funded by resources or funds of debt-for-nature swap agreement between the Guatemala and U.S. governments. Fund-supported regions (listed below) were selected for their regional and national ecological significance, as they are considered to be critical areas covering Government of Guatemala national and institutional policies and strategies as part of SIGAP (Guatemalan Protected Areas System), and their social and economic significance to Guatemala and Mesoamerica).

1. Mayan Biosphere reserve
2. West-highland volcanic range
3. Motagua-Polochic basin and Caribbean coast
4. Cuchumatanes area.

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Trust fund Guatemala TFCA
December 31, 2012 and 2011

The program is implemented by community, regional or national NGOs with funds supplied by the U.S. Government (US\$22 million) and by two private NGO - The Nature Conservancy (TNC) and Conservation International (CI) (US\$2 million), for an overall US\$24 million which are to be contributed during 15 years, beginning on the program's inception.

Project activities are programmed by bi-annual cycles, the first of which covered 2008 to 2010, the second cycle covered 2010 to 2012 and third cycle covers 2012 to 2015 (see Annex II for these cycle's` projects), and so on.

During 2012, FCA Fund commenced the **Small Grants Program (PPD/FCA**, in Spanish) for the purpose of setting forth community participation as a fundamental ground to promote the sustained use of Ecosystems, through decentralizing FCA functions by implementing regional sub-programs at Q2,500,000 each of providing small grants to local base organizations (**OLB**, in Spanish) for them to undertake projects not exceeding Q300,000, with no objections by the fund oversight committee.

Organizations selected to manage sub-programs are listed below:

- Asociación de Organizaciones de los Cuchumatanes (ASOCUCH)
- Fundación Naturaleza para la Vida (NPV)
- Asociación Programas de Gestión Ambiental Local (ASOPROGAL)
- Asociación Tikonel
- Asociación de Desarrollo Agrícola y Microempresarial (ADAM)

Operations commenced during 2012 and are expected to be completed by 2015. The first disbursement, equal to 4% of the overall sum to be awarded to each sub-program, was made at of end of 2012.

(2) Summary of significant accounting policies

The financial statements were prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies adopted by the Trust fund for recording its operations and preparing financial information are summarized as follows:

a) Income

Interest income over bank accounts is recognized on a monthly basis when credited by the bank. This system agrees with the accrual method of accounting. Interest income over

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

term-deposit certificates is recorded under control accounts (“Interest receivable” as an asset and “Uncollected interest earned” as a liability), and is credited to income of the year when collected. This treatment is at variance with IFRS, which require that revenue be recorded when accrued; however, the effect of this situation for 2012 was immaterial as this type of revenue was recorded in the following year.

b) Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rate prevailing on the date of the transaction. Foreign-currency assets and liabilities balances are re-expressed in local currency at year-end at the exchange rate prevailing in the domestic banking system, and its effect, if any, is charged or credited to revenue at the end of period, as appropriate.

c) Permanently restricted trust fund

These are funds exclusively slated to address specific objectives and whose restriction is typified by both FCA agreement and the Trust fund, and embody US Government supplied sums under a debt swap between the Guatemala and U.S. governments and used as Trust fund’s objectives. The objectives are based on plans approved by the Oversight Committee of the FCA, mainly covering grants for projects; 10% of payments from the Government of Guatemala are used for administrative expenses (note 9).

d) Temporarily restricted accumulated sums

These are sums slated to cover Trust fund operating and management activities to support its objectives under approval of FCA’s oversight Committee.

e) Presentation of basic financial statements

In view that IFRS do not specifically name not-for-profit basic financial statements, FASB-117, issued by the Financial Accounting Standards Board (FASB), was adopted as provided by IAS 1 and IFRS 1.

f) Investments

Investments in deposit certificates are recorded at cost, and are made at current market return rates.

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

(3) Currency unit

The financial statements are expressed in Quetzales, currency of legal tender in Guatemala, denoted by the symbol Q. On March 16, 1994, the Monetary Board authorized that the value of quetzales vis-à-vis US dollars be set by foreign currency supply and demand in the domestic banking system. The domestic banking market average exchange rate at December 31, 2012 and 2011 was Q7.90230 and Q7.81083 to US\$1, respectively. By resolution JM-126-2006 dated October 2006, the use of an average weighted supply and demand exchange rate was authorized.

There are no exchange restrictions in Guatemala for the repatriation of capitals, payment of indebtedness, or for any other purpose.

(4) Cash balances

Cash balances as at December 31, are summarized below:

	2012		2011	
Banco G&T Continental 001-0036607-0	Q	138,766	Q	98,378
Banco G&T Continental 01-5801697-5		189		90,498
	Q	138,955	Q	188,876

(5) Accrued interest income and uncollected interest accrued sums

Interest income over fixed-term deposit certificates maintained with domestic banks as at December 31, accrued as follows:

	2012		2011	
Investments in US\$				
Banco G&T Continental, S.A. Certificate No. 03-03-600000278-7	Q	1,336,207	Q	1,198,302
Banco Industrial, S.A. Certificate No. 31-006-122984-8		61,423		-
Carried forward		1,397,630		1,198,302

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

Brought forward	1,397,630	1,198,302
Banco G&T Continental, S.A. Certificate No. 00812156	917	-
Banrural Certificate No. 42784	-	69,388
	1,398,547	1,267,690
Investments in Quetzales		
Banrural Certificate No. 432184	48,104	-
Banco Industrial, S.A. Certificate No. 33-006-126207-8	26,236	-
Banco Industrial, S.A. No.33-006-110847	-	532,202
	74,340	532,202
	Q 1,472,887	Q 1,799,892

(6) Investments

Investment balances as at December 31, are summarized as follows:

	2012	2011
Investments in Quetzales		
Fixed-term deposit maintained with Banco Industrial, S.A. No. 33-006-126207-8, maturing on December 17, 2013, at 7.60% interest due	Q 9,000,000	Q -
Fixed-term deposit certificate maintained with Banco de Desarrollo Rural, S.A. (Banrural) No. 432184, maturing on May 3, 2013, at 7.75% interest due monthly	7,551,948	-
Fixed-term deposit certificate maintained with Banco G&T Continental, S.A. No. 286358, maturing on April 28, 2013, at 8.50% interest due monthly.	7,551,948	-
Carried forward	24,103,896	-

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

Brought forward	24,103,896	-
Fixed-term deposit certificate maintained with Banco G&T Continental, S.A. No. 03-01-3020000266-7, maturing on December 17, 2013, at 7.25% interest due monthly.	6,676,837	13,139,835
Fixed-term deposit certificate maintained with Banco Industrial, S.A. No. 33-006-110847, maturing on May 2, 2012, at 7.50% interest due monthly.	-	14,246,424
	Q 30,780,733	Q 27,386,259

Investments in US\$		
Fixed-term deposit certificate maintained with Banco G&T Continental, S.A. No. 03-03-600000278-7 for US\$4,791,069, maturing on February 28, 2013, at 4% interest due on maturity.	Q 37,206,506	Q 35,774,542
Inversión en Fixed-term deposit certificate maintained with Banco Industrial, S.A. No. 31-006-122984-8 for US\$300,000, maturing on May 22,	2,335,473	-
Fixed-term deposit certificate maintained with Banco Industrial, S.A. No. 31-006-126211-2 for US\$121,491, maturing on June 16, 2013, at 2.50% interest due monthly.	960,852	-
Fixed-term deposit certificate maintained with Banco de Desarrollo Rural, S.A. No. 42784 for US\$492,722, maturing on May 18, 2012, at 3.75% interest due on maturity.	-	3,017,080
	40,502,831	38,791,622
	Q 71,283,564	Q 66,177,881

(7) Income taxes due

Income taxes due as at December 31, are summarized below:

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

	2012		2011	
Income taxes a/	Q	6,468	Q	53,012

a/ This provision pertains to December 2012 and 2011.

(8) Permanently restricted trust fund

The permanently restricted trust fund balance at December 31 is disaggregated as summarized below:

Trust fund	2012		2011	
Beginning balance	Q	87,859,651	Q	71,793,791
Paid by the Ministry of Finance during the year				
	<u>Date</u>	<u>Q</u>	<u>Date</u>	<u>Q</u>
	01/27/12	886,941	01/27/11	898,887
	03/09/12	1,850,225	03/10/11	1,844,689
	04/19/12	1,326,103	04/18/11	2,410,517
	04/19/12	2,461,812	04/19/11	1,296,403
	05/15/12	1,509,096	05/13/11	1,475,110
	07/30/12	889,481	07/27/11	882,074
	09/30/12	1,916,556	09/09/11	1,884,605
	10/19/12	1,336,710	10/24/11	2,481,454
	10/19/12	2,481,666	10/24/11	1,334,023
	11/20/12	1,525,075	11/15/11	1,558,099
Total payments during the period		16,183,667		16,065,861
Balance December 31,	Q	104,043,318	Q	87,859,651

(9) Changes in the permanently restricted trust fund

These changes as at December 31, are summarized below:

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

Changes in the permanently restricted trust fund		2012	2011	
Beginning balance	Q	29,311,898	Q 20,136,510	
Grants provided to FCA projects				
<u>Date</u>		<u>Amount</u>	<u>Date</u>	
			<u>Amount</u>	
02/02/12		393,644	01/24/11	198,728
02/17/12		237,636	02/25/11	340,000
02/17/12		232,090	04/06/11	148,445
02/17/12		182,305	05/30/11	533,513
02/29/12		202,830	05/06/11	124,908
02/29/12		263,220	06/24/11	181,505
03/02/12		337,718	06/16/11	634,236
03/28/12		264,833	06/07/11	479,464
03/28/12		230,000	07/14/11	309,988
04/11/12		233,044	07/11/11	163,000
04/20/12		226,205	07/05/11	605,408
05/23/12		392,389	09/27/11	569,431
05/23/12		185,890	09/05/11	559,544
06/20/12		228,251	10/17/11	341,913
06/20/12		265,751	10/14/11	275,806
06/20/12		155,691	10/03/11	252,190
06/27/12		416,721	11/11/11	273,300
06/27/12		285,669	11/14/11	163,000
06/27/12		185,310	11/04/11	775,734
06/27/12		189,285	11/02/11	638,689
07/11/12		194,153		-
07/11/12		227,544		-
07/26/12		163,000		-
08/17/12		187,111		-
08/21/12		174,294		-
08/21/12		144,889		-
Carried forward		6,199,473		7,568,801

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Trust fund Guatemala TFCA
December 31, 2012 and 2011

Brought forward	6,199,473	7,568,801
08/28/12	102,322	-
10/10/12	191,157	-
10/10/12	120,189	-
10/10/12	157,411	-
10/17/12	163,260	-
10/17/12	194,873	-
11/05/12	93,750	-
11/05/12	93,750	-
11/05/12	93,750	-
11/05/12	389,719	-
11/05/12	679,061	-
11/05/12	487,409	-
11/05/12	359,780	-
11/05/12	337,993	-
11/05/12	781,906	-
11/05/12	557,913	-
11/05/12	719,860	-
11/06/12	189,147	-
11/06/12	84,108	-
11/06/12	99,567	-
11/06/12	608,768	-
11/06/12	93,750	-
11/06/12	87,500	-
12/04/12	153,771	-
12/04/12	165,170	-
12/04/12	290,115	-
12/12/12	203,757	-
Total grants period	13,699,230	7,568,801

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Trust fund Guatemala TFCA
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Administrative expenses 10% allocations during the period:					
Date		Amount	Date		Amount
02/08/12	Q	88,694	01/27/11	Q	89,889
03/16/12		185,022	03/10/11		184,469
04/24/12		132,610	04/18/11		129,640
04/24/12		246,181	04/19/11		241,052
05/22/12		150,910	05/13/11		147,511
08/07/12		88,948	07/27/11		88,207
09/20/12		191,656	09/09/11		188,461
10/31/12		133,671	10/24/11		381,548
10/31/12		248,167	10/24/11		155,810
11/26/12		152,507	11/15/11		-
Administrative expense		1,618,366			1,606,587
Balance December 31,		Q 44,629,494			Q 29,311,898

(10) Financial products

Financial products revenue during the years ended December 31, are summarized as follows:

	2012		2011	
Interest on investments placed	Q	4,346,316	Q	3,194,336
Bank interest income		15,410		45,010
	Q	4,361,726	Q	3,239,346

(11) Other revenue

Other revenue earned during the years ended December 31, is summarized as follows:

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Trust fund Guatemala TFCA
December 31, 2012 and 2011

	2012		2011	
Exchange rate fluctuation <u>a/</u>	Q	98,230	Q	188,807
Other products		15		-
	Q	98,245	Q	188,807

a/ Accounts for the re-statement of foreign currency balances (US\$) at December 31.

(12) Administrative expenses

Administrative expenses during the years ended December 31, are summarized below:

	2012		2011	
Income taxes <u>a/</u>	Q	44	Q	3,732

a/ Accounts for income taxes withheld by Banco G&T Continental, S.A. over interest income earned on US\$ bank account No. 01-5801697-5.

(13) Foreign-currency transaction expenses

Foreign-currency transaction expenses incurred during the years 2012 and 2011, are summarized below:

	2012		2011	
Exchnage rate fluctuation <u>a/</u>	Q	5,629	Q	1,216,555
General		300		-
Exchange loss		-		1,172
Account maitenance charges		-		20
	Q	5,929	Q	1,217,747

a/ This sum accounts for the result of re-expressing foreign currency (US\$) balances at December 31, 2011 based on the average exchange rate made known by Banco de Guatemala on that date.

NOTES TO THE FINANCIAL STATEMENTS

Trust fund Guatemala TFCA
December 31, 2012 and 2011

(14) Income taxes

The Trust fund is enrolled under the general income tax system, based on a tax authorities' opinion that trust funds are not subject to 10% financial product taxes but only to income taxes. Income taxes as at December 31, 2012 and 2011 were determined based on the opinion in question as follows:

	2012		2011	
Interest on investments	Q	4,346,319	Q	3,194,336
Capitalized interest over debt service account		14,968		37,858
Capitalized interest over trust fund FCA account		442		7,153
		4,361,729		3,239,347
Exchange rate fluctuations		98,230		188,807
		98,230		188,807
Capitalized interest over debt service account		-		(37,316)
Capitalized interest over trust fund FCA		(442)		-
Exchange rate fluctuations		(98,230)		(188,807)
Non-taxable income		(98,672)		(226,123)
Taxable income		4,361,288		3,202,031
Income tax rate - 5%	Q	218,064	Q	160,102

Pursuant to the Tax Code of Guatemala, the statute of limitations for the tax authorities to audit income tax returns elapses in four years beginning on the date when the returns were due for filing. The income tax returns filed for the tax periods 2012 and 2011 are still pending review by the tax authorities, and there is no knowledge of any tax review in process.

(15) Subsequent events

We are not aware of any subsequent events that might have occurred between the date of the financial statements and the date when the report of the independent auditors was issued that may require the amounts reported in the authorized financial statements to be modified.

STATEMENTS OF FINANCIAL POSITION

Trust fund Guatemala TFCA

December 31,
(expressed in US\$)

	2012	2011
ASSETS		
Cash (Note 4)	\$ 17,584	\$ 24,181
Interest receivable (Note 5)	188,020	230,436
Fixed-term deposits (Note 6)	9,107,722	8,505,710
TOTAL ASSETS	9,313,326	8,760,327
LIABILITIES		
Income taxes (Note 7)	815	6,787
Uncollected interest earned (Note 5)	188,020	230,397
TOTAL LIABILITIES	188,835	237,184
TRUST FUND		
Permanently restricted trust fund	7,211,864	7,101,229
Temporarily restricted retained earnings	1,912,627	1,421,914
TOTAL TRUST FUND	9,124,491	8,523,143
TOTAL LIABILITIES AND TRUST FUND	\$ 9,313,326	\$ 8,760,327

STATEMENTS OF COMPREHENSIVE INCOME

Trust fund Guatemala TFCA

years ended December 31,
(expressed in US\$)

	2012			2011			2010		
	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total
INCOME									
Financial products (Note 10)	\$ 556,758	\$ -	\$ 556,758	\$ 415,847	\$ -	\$ 415,847	\$ 388,617	\$ -	\$ 388,617
Contributed by the Ministry of Finance (Note 8)	-	2,069,014	2,069,014	-	2,069,016	2,069,016	-	2,074,835	2,074,835
Other income (Note 11)	-	-	-	-	-	-	21,086	-	21,086
	556,758	2,069,014	2,625,772	415,847	2,069,016	2,484,863	409,703	2,074,835	2,484,538
ADMINISTRATIVE EXPENSES									
Administrative expenses (Note 12)	(6)	-	(6)	(479)	-	(479)	(121)	-	(121)
Allocations - 10% administrative expenses (Note 9)	-	(206,911)	(206,911)	-	(207,926)	(207,926)	-	(207,140)	(207,140)
Grants to projects (Note 9)	-	(1,751,468)	(1,751,468)	-	(970,612)	(970,612)	-	(1,267,846)	(1,267,846)
Translation effect	(38,204)	-	(38,204)	77,879	-	77,879	251,067	-	251,067
Income before income taxes	518,548	110,635	629,183	493,247	890,477	1,383,724	660,649	599,849	1,260,498
Income taxes (Note 14)	(27,835)	-	(27,835)	(20,553)	-	(20,553)	(19,376)	-	(19,376)
Excess receipts over expenses	490,713	110,635	601,348	472,694	890,477	1,363,171	641,273	599,849	1,241,122
Net changes during the year	490,713	110,635	601,348	472,694	890,477	1,363,171	634,243	599,849	1,234,092
Net changes at beginning of period	1,421,914	7,101,229	8,523,143	949,220	6,210,752	7,159,972	314,977	5,610,903	5,925,880
TRUST FUND AT END OF YEAR	\$ 1,912,627	\$ 7,211,864	\$ 9,124,491	\$ 1,421,914	\$ 7,101,229	\$ 8,523,143	\$ 949,220	\$ 6,210,752	\$ 7,159,972

STATEMENTS OF CHANGES IN PERMANENTLY RESTRICTED TRUST FUND

Trust fund Guatemala TFCA

years ended December 31,

(expressed in US\$)

	2012	2011
PERMANENTLY RESTRICTED TRUST FUND (Note 8)		
CONTRIBUTIONS TO TRUST FUND		
Beginning balance	\$ 10,744,151	\$ 8,675,135
Contributed by the Ministry of Finance	2,069,014	2,069,016
Ending balance	12,813,165	10,744,151
CHARGES TO TRUST FUND (Note 9)		
Beginning balance	(3,642,922)	(2,464,384)
Allocations - 10% administrative expenses	(206,911)	(206,902)
Grants to projects	(1,751,468)	(971,636)
Ending balance	(5,601,301)	(3,642,922)
TOTAL PERMANENTLY TRUST FUND	7,211,864	7,101,229
TEMPORARILY RESTRICTED RETAINED EARNINGS		
Retained gains on investments	1,421,914	949,221
Period net retained earnings	490,713	472,693
Ending balance	1,912,627	1,421,914
TOTAL TRUST FUND	\$ 9,124,491	\$ 8,523,143

STATEMENTS OF CASH FLOWS

Trust fund Guatemala TFCA

years ended December 31,
 (expressed in US\$)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Period net earnings	\$ 490,713	\$ 472,694
Net changes in assets and liabilities		
Cash provided by contributions (Note 8)	2,069,014	2,069,014
Grants provided to projects (Note 9)	(1,751,468)	(971,636)
Administrative expense disbursements (Note 9)	(206,911)	(206,902)
(Additions to) provided by investments	(602,011)	(4,055,910)
Other changes	38	(38)
Income taxes	(5,972)	(12,310)
Net cash from operating activities	(6,597)	(2,705,088)
Net change in cash	(6,597)	(2,705,088)
Cash at beginning of year	24,181	2,729,269
CASH AT END OF YEAR	\$ 17,584	\$ 24,181

(1) Trust fund operations

Trust fund Guatemala TFCA (the "Trust fund") was organized for an indefinite time on September 30, 2008 under public deed No. 151 notarized by the attorney Karla Guerra de Balsells. Trust fund's offices are located in Guatemala City and its accounting period ends on December 31 of each year.

The trust fund has no headcount (payroll employees) of its own as it is managed by Banco G&T Continental as a trustee.

Trustor: the trustor is Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG (as Forest Conservation Fund administrator). Under trust fund creation provisions, 10% of patrimony disbursements are slated to cover administrative expenses.

FCG was created on March 27, 2000 as a private non-Government, not-for-profit, and non-political organization, for conservation, ecology, scientific, technological and cultural purposes, with its own legal status and capacity to acquire rights, enter into commitments, and undertake any activities considered necessary for it to achieve its goals.

FCG's general objective is to promote the conservation of biodiversity and the sustainable use of natural resources, environmental management, and sustainable development through a stable generation and disbursement of funds, services and projects management, providing specialized services in the environment area, projects funding, and management of the relevant environment projects.

FCG's mission is to obtain and provide financial resources for the conservation and sustainable management of Guatemala's natural and cultural patrimony, as a driver of the country's sustainable economic development, by way of either grants or/and providing services.

Trustees: trustees are those legal entities specified by the Trust fund as grant recipients and trustees up to grant sums and only for the time they maintain the status of grant recipients, together with one or more individuals designed as such by the Oversight Committee.

Trustee: Banco G&T Continental, S.A.

Patrimony in trust:

The patrimony in trust does embody:

a) any sums the Government of Guatemala (GOG) may deposit to the debt service account as provided by FCA as summarized in Annex 1 (during the years 2012 and 2011, GOG deposited Q16,183,666 and Q16,065,860, respectively);

b) any appreciation in value, interest income, and investments made from time to time on the basis of those funds; and

c) any additional deposits made by third-parties as approved by the Oversight Committee and reported by the trustee through the trustor.

Trust fund purposes:

Trust fund purposes include compliance with the objectives of the Tropical Forest Conservation Fund based on the selection of grant recipients made by the Oversight Committee as provided by FCA's procedures and cover trust operating costs as approved by the Oversight Committee under those procedures, coupled to organize the Patrimony Fund in accordance with agreement terms.

FCA's Oversight Committee is organized as follows:

- Permanent members:
- a) U.S. Government (USAID)
 - b) Government of Guatemala (CONAP)
 - c) The Nature Conservancy (TNC)
 - d) Conservation International (CI)
- Fixed-term member:
- e) Civil Society Organization (2012 y 2011 IARNA- URL).

Tropical Forest Conservation Fund:

Funded by resources or funds of debt-for-nature swap agreement between the Guatemala and U.S. governments. Fund-supported regions (listed below) were selected for their regional and national ecological significance, as they are considered to be critical areas covering Government of Guatemala national and institutional policies and strategies as part of SIGAP (Guatemalan Protected Areas System), and their social and economic significance to Guatemala and Mesoamerica).

1. Mayan Biosphere reserve
2. West-highland volcanic range
3. Motagua-Polochic basin and Caribbean coast
4. Cuchumatanes area.

The program is implemented by community, regional or national NGOs with funds supplied by the U.S. Government (US\$22 million) and by two private NGO - The Nature Conservancy (TNC) and Conservation International (CI) (US\$2 million), for an overall US\$24 million which are to be contributed during 15 years, beginning on the program's inception.

Project activities are programmed by bi-annual cycles, the first of which covered 2008 to 2010, the second cycle covered 2010 to 2012 and third cycle covers 2012 to 2015 (see Annex II for these cycle's` projects), and so on.

During 2012, FCA Fund commenced the **Small Grants Program (PPD/FCA**, in Spanish) for the purpose of setting forth community participation as a fundamental ground to promote the sustained use of Ecosystems, through decentralizing FCA functions by implementing regional sub-programs at Q2,500,000 each of providing small grants to local base organizations (**OLB**, in Spanish) for them to undertake projects not exceeding Q300,000, with no objections by the fund oversight committee.

Organizations selected to manage sub-programs are listed below:

- Asociación de Organizaciones de los Cuchumatanes (ASOCUCH)
- Fundación Naturaleza para la Vida (NPV)
- Asociación Programas de Gestión Ambiental Local (ASOPROGAL)
- Asociación Tikonel
- Asociación de Desarrollo Agrícola y Microempresarial (ADAM)

Operations commenced during 2012 and are expected to be completed by 2015. The first disbursement, equal to 4% of the overall sum to be awarded to each sub-program, was made at end 2012.

(2) Summary of significant accounting policies

The financial statements were prepared, in all material respects aspects, in accordance with International Financial Reporting Standards (IFRS). The significant accounting policies adopted by the Trust fund for recording its operations and preparing financial information are summarized as follows:

a) Income

Interest income over bank accounts is recognized on a monthly basis when credited by the bank. This system agrees with the accrual method of accounting. Interest income over term-deposit certificates is recorded under control accounts ("Interest receivable" as an asset and "Uncollected interest earned" as a liability), and is credited to income of the year when collected. This treatment is at variance with IFRS, which require that revenue be recorded when accrued; however, the effect of this situation for 2012 was immaterial as this type of revenue was recorded in the following year.

b) Foreign currency transactions

Foreign currency transactions are translated into local currency at the exchange rate prevailing on the date of the transaction. Foreign-currency assets and liabilities balances are re-expressed in local currency at year-end at the exchange rate prevailing in the domestic banking system, and its effect, if any, is charged or credited to revenue at the end of period, as appropriate.

c) Permanently restricted trust fund

These are funds exclusively slated to address specific objectives and whose restriction is typified by both FCA agreement and the Trust fund, and embody US Government supplied sums under a debt swap between the Guatemala and U.S. governments and used as Trust fund's objectives. The objectives are based on plans approved by the Oversight Committee of the FCA, mainly covering grants for projects; 10% of payments from the Government of Guatemala are used for administrative expenses (note 9).

d) Temporarily restricted accumulated sums

These are sums slated to cover Trust fund operating and management activities to support its objectives under approval of FCA's oversight Committee.

e) Presentation of basic financial statements

In view that IFRS do not specifically name not-for-profit basic financial statements FASB-117, issued by the Financial Accounting Standards Board (FASB), was adopted as provided by IAS 1 and IFRS 1.

f) Investments

Investments in deposit certificates are recorded at cost, and are made at current market return rates.

(3) Currency unit

The financial statements are expressed in Quetzales, currency of legal tender in Guatemala, denoted by the symbol Q. On March 16, 1994, the Monetary Board authorized that the value of quetzales vis-à-vis US dollars be set by foreign currency supply and demand in the domestic banking system. The domestic banking market average exchange rate at December 31, 2012 and 2011 was Q7.90230 and Q7.81083 to US\$1, respectively. By resolution JM-126-2006 dated October 2006, the use of an average weighted supply and demand exchange rate was authorized.

There are no exchange restrictions in Guatemala for the repatriation of capitals, payment of indebtedness, or for any other purpose.

(4) Cash balances

Cash balances as at December 31, are summarized below:

	2012		2011
Banco G&T Continental 001-0036607-0	\$ 17,560	\$	12,595
Banco G&T Continental 01-5801697-5	24		11,586
	\$ 17,584	\$	24,181

(5) Accrued interest income and uncollected interest accrued sums

Interest income over fixed-term deposit certificates maintained with domestic banks as at December 31, accrued as follows:

	2012	2011
Investments in US\$		
Banco G&T Continental, S.A. Certificate No. 03-03-600000278-7	\$ 170,706	\$ 153,981
Banco Industrial, S.A. Certificate No. 31-006-122984-8	7,791	-
Banco G&T Continental, S.A. Certificate No. 00812156	116	-
Banrural Certificate No. 42784	-	9,078
Banco G&T Continental, S.A. Certificate No. 03-03-3020000030-8	-	-
	178,613	163,059
Investments in Quetzales		
Banrural Certificate No. 432184	6,087	-
Banco Industrial, S.A. Certificate No. 33-006-126207-8	3,320	-
Banco Industrial, S.A. No.33-006-110847	-	67,377
	\$ 188,020	\$ 230,436

(6) Investments

Investment balances as at December 31, are summarized as follows:

Investments in US\$		
Fixed-term deposit certificate maintained with Banco G&T Continental, S.A. No. 03-03-600000278- 7 for US\$4,791,069, maturing on February 28, 2013, at 4% interest due on maturity.	\$ 4,791,069	\$ 4,606,797
Carried Forward	\$ 4,791,069	\$ 4,606,797

Brought forward	\$	4,791,069	\$	4,606,797
Inversión en Fixed-term deposit certificate maintained with Banco Industrial, S.A. No. 31-006-122984-8 for US\$300,000, maturing on May 22, 2013, at 4.25% interest, due on maturity.		300,000		-
Fixed-term deposit certificate maintained with Banco Industrial, S.A. No. 31-006-126211-2 for US\$121,491, maturing on June 16, 2013, at 2.50% interest due monthly.		121,491		-
Fixed-term deposit certificate maintained with Banco de Desarrollo Rural, S.A. No. 42784 for US\$492,722, maturing on May 18, 2012, at 3.75% interest due on maturity.		-		392,722
		5,212,560		4,999,519
	\$	9,107,722	\$	8,505,710

(7) Income taxes due

Income taxes due as at December 31, are summarized below:

		2012		2011
Income taxes <u>a/</u>	\$	815	\$	6,787

a/ This provision pertains to December 2012 and 2011.

(8) Permanently restricted trust fund

The permanently restricted trust fund balance at December 31, is disaggregated as summarized below:

Trust fund	2012		2011	
Beginning balance	\$	10,744,151	\$	8,675,135
Paid by the Ministry of Finance during the year				
	<u>Date</u>	<u>US\$</u>	<u>Date</u>	<u>US\$</u>
	01/27/12	113,527	01/27/11	113,528
	03/09/12	239,118	03/10/11	239,118
	04/19/12	170,636	04/18/11	316,794
	04/19/12	316,794	04/19/11	170,636
	05/15/12	194,432	05/13/11	194,432
	07/30/12	113,527	07/27/11	113,527
	09/30/12	239,118	09/09/11	239,118
	10/19/12	170,636	10/24/11	316,794
	10/19/12	316,794	10/24/11	170,636
	11/20/12	194,432	11/15/11	194,433
Total payments during the period		2,069,014		2,069,016
Balance December 31,	\$	12,813,165	\$	10,744,151

(9) Reductions in the permanently restricted trust fund balance

These changes as at December 31, are summarized below:

Charges in the permanently restricted trust fund	2012		2011	
Beginning balance	\$	3,642,922	\$	2,464,384
Grants provided to FCA projects				
	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
	02/02/12	50,328	01/24/11	25,511
	02/17/12	30,382	02/25/11	43,647
	02/17/12	29,673	04/06/11	19,056
	02/17/12	23,308	05/30/11	68,489
Carried forward		133,691	05/30/11	156,703

Brought forward	133,691	05/30/11	156,703
02/29/12	25,932	05/06/11	16,035
02/29/12	33,653	06/24/11	23,300
03/02/12	43,178	06/16/11	81,419
03/28/12	33,859	06/07/11	61,551
03/28/12	29,406	07/14/11	39,794
04/11/12	29,795	07/11/11	20,925
04/20/12	28,921	07/05/11	77,719
05/23/12	50,168	09/27/11	73,100
05/23/12	23,766	09/05/11	71,831
06/20/12	29,182	10/17/11	43,893
06/20/12	33,977	10/14/11	35,406
06/20/12	19,905	10/03/11	32,375
06/27/12	53,279	11/11/11	35,085
06/27/12	36,523	11/14/11	20,925
06/27/12	23,692	11/04/11	99,584
06/27/12	24,200	11/02/11	81,991
07/11/12	24,823		-
07/11/12	29,092		-
07/26/12	20,840		-
08/17/12	23,922		-
08/21/12	22,284		-
08/21/12	18,524		-
08/28/12	13,082		-
10/10/12	24,440		-
Carried forward	830,134		971,636

Brought forward	830,134	971,636
10/10/12	15,366	-
10/10/12	20,125	-
10/17/12	20,873	-
10/17/12	24,915	-
11/05/12	11,986	-
11/05/12	11,986	-
11/05/12	11,986	-
11/05/12	49,826	-
11/05/12	86,819	-
11/05/12	62,316	-
11/05/12	45,999	-
11/05/12	43,213	-
11/05/12	99,968	-
11/05/12	71,330	-
11/05/12	92,035	-
11/06/12	24,183	-
11/06/12	10,753	-
11/06/12	12,730	-
11/06/12	77,832	-
11/06/12	11,986	-
11/06/12	11,187	-
12/04/12	19,660	-
12/04/12	21,117	-
12/04/12	37,092	-
12/12/12	26,051	-
Total period grants	1,751,468	971,636

Administrative expenses 10% allocations during the period			
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
02/08/12	11,340	01/27/11	11,353
03/16/12	23,655	03/10/11	23,912
04/24/12	16,954	04/18/11	31,679
04/24/12	31,475	04/19/11	17,064
05/22/12	19,294	05/13/11	19,443
08/07/12	11,372	07/27/11	11,353
09/20/12	24,504	09/09/11	23,912
10/31/12	17,090	10/24/11	31,679
10/31/12	31,729	10/24/11	17,064
11/26/12	19,498	11/15/11	19,443
Administrative expenses	206,911		206,902
Balance December 31,	\$ 5,601,301		\$ 3,642,922

(10) Financial products

Financial products revenue during the years ended December 31, are summarized as follows:

	2012	2011
Interest on investments placed	\$ 554,791	\$ 410,069
Bank interest income	1,967	5,778
	\$ 556,758	\$ 415,847

(11) Administrative expenses

Administrative expenses during the years ended December 31, are summarized below:

	2012	2011
Income taxes <u>a/</u>	\$ 6	\$ 479

a/ Accounts for income taxes withheld by Banco G&T Continental, S.A. over interest income earned on US\$ bank account No. 01-5801697-5.

(12) Foreign-currency transaction expenses

Foreign-currency transaction expenses incurred during the years 2012 and 2011, are summarized below:

	2012		2011
General	\$ 38	\$	-
Exchange loss	-		150
Account maintenance charges	-		3
	\$ 38	\$	153

(13) Income taxes

The Trust fund is enrolled under the general income tax system, based on a tax authorities' opinion that trust funds are not subject to 10% financial product taxes but only to income taxes. Income taxes as at December 31, 2012 and 2011 were determined based on the opinion in question as follows:

	2012		2011
Interest on investments	\$ 554,791	\$	410,069
Capitalized interest over debt service account	1,911		4,860
Capitalized interest over trust fund FCA account	56		918
	556,758		415,847
Exchange rate fluctuations	12,539		24,238
	12,539		24,238
Carried forward	569,297		440,085

Brought forward	569,297	440,085
Capitalized interest over debt service account	-	(4,790)
Capitalized interest over trust fund FCA account	(56)	-
Exchange rate fluctuations	(12,539)	(24,238)
Non-taxable income	(12,595)	(29,028)
Taxable income	556,702	411,057
Income tax rate - 5%	\$ 27,835	\$ 20,553

Pursuant to the Tax Code of Guatemala, the statute of limitations for the tax authorities to audit income tax returns elapses in four years beginning on the date when the returns were due for filing. The income tax returns filed for the tax periods 2012 and 2011 are still pending review by the tax authorities, and there is no knowledge of any tax review in process.

(14) Subsequent events

We are not aware of any subsequent events that might have occurred between the date of the financial statements and the date when the report of the independent auditors was issued that may require the amounts reported in the authorized financial statements to be modified.

Agreement	Implementing unit	Project's name	Geographical region		Disbursed during 2011		Disbursed during 2012		Disbursed through 12/31/2012	Total Project amount	% disbursed thru 2012
FCA 001-2010	HELVETAS Guatemala	Municipal and community management over the integral handling of hydric charge areas of the conservation strategic areas in Totonicapán highland and Sierra Santa Rita in Quetzaltenango.	Volcanic chain	Q	808,142	Q	784,828	Q	1,592,970	Q1,592,970	100%
FCA 002-2010	HELVETAS Guatemala	Strengthening and consolidating the decentralized management of regional municipal parks, community forests, and natural private reserves in priority connectivity zones Saquibutz – Tewancarnero.	Volcanic chain	Q	928,915	Q	661,705	Q	1,590,620	Q1,590,620	100%
FCA 003-2010	Centro Agronómico Tropical para la Investigación y Enseñanza -CATIE-	Strengthening co-managing the preservation and restoration of the Tecpán regional municipal Astillero park (hydric charge zone of rivers Madre Vieja, Motagua, and Coyolate basins, Phase I).	Volcanic chain	Q	1,055,941	Q	537,277	Q	1,593,218	Q1,593,218	100%
FCA 004-2010	Fundación Defensores de la Naturaleza	Mitigating threats to Corredor Bosque Nuboso-Sierra de las Minas' conservation elements by strengthening conservation and handling fire schemes and developing economic alternatives.	Motagua-Polochic , and Caribbean coastline	Q	784,993	Q	742,493	Q	1,527,486	Q1,592,977	96%
FCA 005-2010	Fundación Defensores de la Naturaleza	Strengthening PNSL governance by protection measures against threats and handling conflicts by implementing relevant cooperative agreements.	Mayan biosphere reserve	Q	734,097	Q	753,827	Q	1,487,924	Q1,586,077	94%
FCA 006-2010	SOTZIL	Strengthening Maya collective management and sustainable handling of community forests in the western volcanic and Cuchumatanes region.	Cuchumatanes	Q	1,120,282	Q	478,710	Q	1,598,992	Q1,598,992	100%
FCA 007-2010	Asociación Vivamos Mejor	Integral management of river Quiscab sub-basin and strengthening the multiple uses region of Atilán basin.	Volcanic chain	Q	929,406	Q	610,973	Q	1,540,379	Q1,599,842	96%
FCA 008-2010	CARE-UICN	Implementing a planning model and micro-basins participative management to adapt to climate change by five municipality in San Marcos highlands.	Volcanic chain	Q	685,992	Q	912,674	Q	1,598,666	Q1,598,666	100%

Agreement	Implementing unit	Project's name	Geographical region	Disbursed during 2011	Disbursed during 2012	Disbursed through 12/31/2012	Total Project amount	% disbursed thru 2012
FCA 009-2010	Fundación para el Ecodesarrollo y la Conservación FUNDAECO	Support the establishment and consolidation of a community, municipal, and private protected areas network, coupled to managing biocultural landscapes in Huehuetenango border regions.	Cuchumatanes	Q 856,882	Q 610,273	Q 1,467,155	Q1,467,155	100%
FCA 010-2010	ASOCHUC	Strengthening local management and implementation of strategies aimed at reducing threats in three significant areas for preserving biodiversity in Sierra de los Cuchumatanes, Department of Huehuetenango.	Cuchumatanes	Q 979,816	Q 611,790	Q 1,591,606	Q1,591,606	100%
FCA 011-2010	Fundación para el Ecodesarrollo y la Conservación FUNDAECO	Strengthening the management and handling of protected areas in Cerro San Gil, river Sarstún, and Punta de Manabique: community participation, financial sustainability and consolidation of core zones at pressure and deforestation critical points.	Motagua-Polochic, and Caribbean coastline	Q 1,037,090	Q 562,910	Q 1,600,000	Q1,600,000	100%
FCA 012-2010	Asociación BALAM	Consolidating protection of Laguna del Tigre eastern zone and biological corridor by a special protection system based on strategic alliances among Government agencies, community groups, and civil society organizations.	Mayan biosphere reserve	Q 1,036,000	Q 393,000	Q 1,429,000	Q1,429,000	100%
FCA 013-2010	Wildlife Conservation Society -WCS-	Strengthening governance of the Maya biosphere multiple uses reserve in Petén, Guatemala.	Mayan biosphere reserve	Q 936,580	Q 653,860	Q 1,590,440	Q1,590,440	100%
FCA 001-2012	ACODIHUE	Ecological restoration of rivers Ocho, Rancho Viejo, and Selegua sub-basins in Huehuetenango.	Cuchumatanes	Q -	Q 389,719	Q 389,719	Q2,387,429	16%
FCA 002-2012	Fundación para el Ecodesarrollo y la Conservación FUNDAECO	Protection of threatened unique ecosystems, and endemic species in seven national, municipal, and community conservation units in Huehuetenango.	Cuchumatanes	Q -	Q 679,061	Q 679,061	Q2,221,790	31%
FCA 003-2012	Fundación para el Ecodesarrollo y la Conservación FUNDAECO	Completing the legal declaration process and consolidation of core zones, and commencing the participative management of the hydric and forest reserve of Sierra Caral.	Motagua-Polochic, and Caribbean coastline	Q -	Q 487,409	Q 487,409	Q1,634,235	30%

Agreement	Implementing unit	Project's name	Geographical region	Disbursed during 2011	Disbursed during 2012	Disbursed through 12/31/2012	Total Project amount	% disbursed thru 2012
FCA 004-2012	Wildlife Conservation Society -WCS-	Consolidating governance of Carmelita route in the Maya biosphere multiple uses zone reserve in Petén, Guatemala.	Mayan biosphere reserve	Q -	Q -	Q -	Q2,490,340	0%
FCA 005-2012	HELVETAS Guatemala	Strengthening local capabilities for the conservation and handling of natural resources and of the biodiversity in protected areas and municipal, communities and private forests in the volcanic chain range of Quetzaltenango and Totonicapán.	Volcanic chain	Q -	Q 359,780	Q 359,780	Q2,308,605	16%
FCA 006-2012	Asociación Aktenamit	Training Maya youths, developing economic alternatives, and driving up sound tourism and sustainable community development practices for conserving department of Izabal's natural and cultural patrimony priority zones.	Motagua-Polochic, and Caribbean coastline	Q -	Q 337,993	Q 337,993	Q2,006,410	17%
FCA 007-2012	Ecologic	Consolidating the sustainable handling of natural resources with local actors of North' frontier commonwealth in rivers Ixcán, Nentón, and Pojom basins.	Cuchumatanes	Q -	Q 781,906	Q 781,906	Q2,100,000	37%
FCA 008-2012	SOTZIL	Strengthening Maya collective management in preserving and sustainable management of community forests in the western and Cuchumatanes volcanic chain, phase II.	Volcanic chain	Q -	Q 608,768	Q 608,768	Q2,212,561	28%
FCA 009-2012	Centro Agronómico Tropical para la Investigación y Enseñanza -CATIE-	Co-managing the sustainable handling and conservation of Acatenango volcano and municipal regional park.	Volcanic chain	Q -	Q 557,913	Q 557,913	Q2,308,902	24%
FCA 010-2012	Fundación Defensores de la Naturaleza	Managing and conservation of biodiversity with local participation in priority hydrographic basins in Sierra de las Minas and Monte Espinoso forest.	Motagua-Polochic, and Caribbean coastline	Q -	Q 719,860	Q 719,860	Q2,363,278	30%
FCA 011-2012	CARE	Sustainable management of forest in hydric re-charge zones of Samalá, Nahualate, Salinas, Motagua, and Atitlán basins in Santa María Chiquimula and Totonicapán.	Volcanic chain	Q -	Q -	Q -	Q2,440,447	0%

Agreement	Implementing unit	Project's name	Geographical region	Disbursed during 2011	Disbursed during 2012	Disbursed through 12/31/2012	Total Project amount	% disbursed thru 2012
PPD/FCA small grants program								
PPD/FCA 001-2012	ASOCUCH	Program aimed at setting up community participation as a fundamental core to promote the sustainable use of ecosystems / minor FCA de-centralization by implementing regional small grants sub- programs not exceeding Q300,000 to base local organizations (OLB).	Cuchumatanes	Q	- Q	93,750 Q	93,750 Q	2,500,000 4%
PPD/FCA 002-2012	Fundación Naturaleza para la Vida		Mayan biosphere reserve	Q	- Q	93,750 Q	93,750 Q	2,500,000 4%
PPD/FCA 003-2012	ASOPROGAL		Motagua- Polochic , and Caribbean coastline	Q	- Q	93,750 Q	93,750 Q	2,500,000 4%
PPD/FCA 004-2012	TIKONEL		Volcanic chain	Q	- Q	93,750 Q	93,750 Q	2,500,000 4%
PPD/FCA 005-2012	ADAM		Volcanic chain	Q	- Q	87,500 Q	87,500 Q	2,500,000 4%



REPORT OF THE INDEPENDENT AUDITORS ON
COMPLIANCE WITH AGREEMENT TERMS

To the

**Oversight Committee of the Tropical Forest Conservation Fund (FCA)
and the Board of Directors of the Conservation and Natural Resources
and Environment of Guatemala Foundation (FCG)**

We have audited compliance with accounting and financial matters provided by the agreement signed among the Government of the Republic of Guatemala, The Nature Conservancy and Conservation International Foundation, called Forest Conservation Agreement; during the year ended December 31, 2012 and 2011, and also the financial statements of Trust fund Guatemala -TFCA, regarding which we have issued our report dated May 23, 2013 and expressed an unqualified opinion thereon.

We conducted our audit in accordance with International Standards on Auditing applicable to reviews of compliance with contractual clauses. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether both Tropical Forest Conservation Fund (FCA) and the Conservation and Natural Resources and Environment of Guatemala Foundation (FCG) complied with agreement relevant provisions.

An Audit involves examining appropriate evidence on a selective test basis. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, both Tropical Forest Conservation Fund (FCA) and Conservation and Natural Resources and Environment of Guatemala Foundation (FCG) complied in all material respects with accounting and financial matters provided by the agreement (referred to in the preceding paragraphs) during the year ended December 31, 2012 and 2011.

This report is intended for the sole information of the Oversight Committee of the Tropical Forest Conservation Fund (FCA) and the Board of Directors of the Conservation and Natural Resources and Environment of Guatemala Foundation (FCG). However, upon release, this report is a matter of public record and its distribution is no longer restricted.

Gilmar D. Barrera
(Guatemalan) Certified Public Accountant
License No. 6771

Guatemala, May 8, 2013



REPORT OF THE INDEPENDENT AUDITORS ON
COMPLIANCE WITH AGREEMENT TERMS CONCERNING
GRANTS AND PROJECTS MANAGEMENT BY GRANT RECIPIENTS

To the
Oversight Committee of the Tropical Forest Conservation Fund (FCA)
and the Board of Directors of the Conservation and Natural Resources
and Environment of Guatemala Foundation (FCG)

We have audited compliance with matters provided by the Fund for Tropical Forest Conservation Fund (FCA) related to the debt for nature (swap), managed by The Conservation and Natural Resources and Environment of Guatemala Foundation (FCG), and clause 5 of the Tropical Forests Conservation agreement, concerning grants, projects management and follow-up (clause 5.2.6 – Use of Grants), coupled to compliance with disbursing grant terms by grant recipients.

We conducted our audit in accordance with International Standards on Auditing applicable to reviews of compliance with contractual clauses. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether funds authorized to grant recipients were disbursed for authorized purposes, and whether Natural Resources and Environment of Guatemala Foundation (FCG), as program administrator, complied with agreement terms, and also whether grant recipients implemented the project in accordance with grant agreement terms. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Tropical Forest Conservation Fund (FCA) managed by Conservation and Natural Resources and Environment of Guatemala Foundation (FCG) complied in all material respects with the matters provided by the agreement (referred to in the preceding paragraphs) during the year ended December 31, 2012 and 2011.

This report is intended for the sole information of the Oversight Committee of the Tropical Forest Conservation Fund (FCA) and the Board of Directors of the Conservation and Natural Resources and Environment of Guatemala Foundation (FCG). However, upon release, this report is a matter of public record and its distribution is no longer restricted.

Gilmar D. Barrera
(Guatemalan) Certified Public Accountant
License No. 6771

Guatemala, May 23, 2013



ACCOUNTING CERTIFICATE

**To the
Oversight Committee of the Tropical Forest Conservation Fund (FCA)
and the Board of Directors of the Conservation and Natural Resources
and Environment of Guatemala Foundation (FCG)**

I do hereby do issue this certificate in my capacity of a (Guatemalan) Certified Public Accountant, and its contents deal with the management of funds and the recording and budget of **TFCA Administrative Expenses** bank account No. 66-0009301-3, and of **TFCA Grants** bank account No. 66-0009302-1, both maintained to Banco G&T Continental, S.A. as at and for the year ended December 31, 2012.

This certificate is intended for the sole information of the Oversight Committee of the Tropical Forest Conservation Fund (FCA) and the Board of Directors of the Conservation and Natural Resources and Environment of Guatemala Foundation (FCG). However, upon release, this certificate is a matter of public record and its distribution is no longer restricted.

Gilmar D. Barrera
(Guatemalan) Certified Public Accountant
License No. 6771

Guatemala, May 23, 2013

**TFCA - Budget administrative expenses disbursed
year ended December 31, 2012**

Code	Description		
413	Receipts	Q	1,618,366
511108	Publicity and advertising		(48,657)
511115	Donations		(1,000,474)
511118	Mail & courier		(1,516)
511136	Printed materials		(10,303)
511140	Web site maintenance		(2,836)
511142	Bank charges		(94,379)
511303	Transportation		(22,950)
511314	Per diem allowances		(85,200)
511316	Meeting expenses		(70,021)
51208	Fees		(189,375)
511114	Vehicles rent		(4,648)
511320	Meeting expenses		(15,574)
	Pending disbursement (*)		(72,433)
Total disbursements equal to receipts		Q	(1,618,366)

(*) Retained in TFCA administrative expenses bank account.



**REPORT OF THE INDEPENDENT AUDITORS ON
INTERNAL CONTROL AND THE ACCOUNTING SYSTEM**

**To the
Oversight Committee of the Tropical Forest Conservation Fund (FCA)
and the Board of Directors of the Conservation and Natural Resources
and Environment of Guatemala Foundation (FCG)**

We have audited the financial statements of the fund accountability statements of Trust fund Guatemala TFCA the year ended December 31, 2012 and 2011, and have issued our unqualified report thereon dated May 23, 2013.

We conducted our audit in accordance with International Auditing Standards. Those Standards require that we plan and perform our audit for the purpose of obtaining reasonable assurance that financial statements are free from material misstatement.

Both Banco G&T Continental as trustee and the Foundation in its capacity of administrator of the Tropical Forest Conservation Fund, are responsible for establishing and maintaining internal control. In fulfilling this responsibility, management judgments and estimates are required to assess expected benefits and costs related to internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute assurance that transactions are performed according to management authorization and agreement terms, and adequately recorded to permit preparation of financial statements in conformity with the basis of accounting described in Note 4 to the statements. Because of limitations inherent to internal control, however, errors or fraud may occur and not detected. Also, projection of any assessments of internal control to future periods is subject to the risk that procedures might become inadequate due to changes in conditions or that the effectiveness in the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements for the year ended December 31, 2012 and 2011, we obtained an understanding of internal control and of the design of relevant policies and procedures and whether they had been placed in operation; we also assessed internal control risk for determining our audit procedures for the purpose of expressing an opinion on the statement of financial position and not provide an opinion on internal control. Accordingly, we do not express such and opinion.

Internal control findings which came to our attention and which we do not consider to be material deficiencies are discussed in annex I to this report.

Our consideration of internal control would not necessarily reveal all internal control matters that might be considered material deficiencies. A material deficiency is a reportable condition in which the design or operation of one or more internal control specific elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements might occur and not be opportunely detected by employees in the normal discharge of their functions.

This report is intended for the sole information of the Oversight Committee of the Tropical Forest Conservation Fund (FCA) and the Conservation and Natural Resources and Environment of Guatemala Foundation (FCG). However, upon release, this report is a matter of public record and its distribution is no longer restricted.

A handwritten signature in black ink, appearing to read 'Gilmar D. Barrera', with a large, stylized flourish above the name.

Gilmar D. Barrera
(Guatemalan) Certified Public Accountant
License No. 6771

Guatemala, May 23, 2013

TRUST FUND GUATEMALA - TFCA

RECOMMENDATIONS TO IMPROVE INTERNAL CONTROL OVER ACCOUNTING PROCESSES.

1. US dollar-investment amounts were not re-expressed at year-end

US dollar investment amounts were not re-expressed at the closing exchange rate of Q7.90230 to US\$1, and a variation in exchange differences was given rise as summarized below:

Certificate	Bank	US\$	Q	Per accounting records	Variation	E.R: per accounting records
03-03-6000000278-7	G&T	\$ 4,791,069	Q 37,860,462	Q 37,206,506	Q 653,956	7.76581
31-006122984-8	Industrial	300,000	2,370,690	2,335,473	35,217	7.78491
31-006126211-2	Industrial	121,491	960,056	960,852	(796)	7.90885
		\$ 5,212,560	Q 41,191,208	Q 40,502,831	Q 688,377	

Risk: foreign-currency balances might not be presented as required by IFRS, i. e., re-express year-end foreign-exchange cash and other balances at the closing exchange rate.

Technical grounds: IFRS 7

Recommendation: foreign exchange balances should be re-expressed on a monthly basis for the purpose of having these balances recorded at year-end as required by IFRS with no material effect on the results of period.

Trustee comments: in view of the possibility that IFRS might not apply to Trust funds, which are based on mercantile contracts without having us a legal status, we use the historical cost convention, based on the fact it is not the purpose of our financial statements to present actual assets value nor their realizable amounts. However, in my capacity of Trust fund TFCA's accountant I am willing to re-express TC's foreign-currency investment balances every month, as suggested, if approved in writing by both the trustee and the external auditors so that the latter's recommendation is implemented "**with no material effect on the results of period.**"

2. Accrued income incorrectly registered

- a) Fixed-term deposit certificate
 Currency: Quetzales
 Number: 432184
 Banco de desarrollo Rural, S.A.

Finding: The return on investment interest is capitalized every 30 days, the court in December 2012 took place on the 29th, so they were not registered accrued interest earned for the last 2 days of the year for a value of Q3,208.

- b) Fixed-term deposit certificate
 Currency: US\$ Dólares americanos
 Number: 03-03-600000278-7
 G&T Continental, S.A.

Fixed-term deposit certificate
 Currency: US\$ Dólares americanos
 Number: 31-006-122984-8
 Banco Industrial, S.A.

Finding: In both cases the re-expression of accrued interest received in dollars at the exchange rate at the end of the year (7.90230) is not performed, so that a change in exchange rate differential is generated as follows:

Certificate	Bank	US\$	Q	Per accounting records	Variation	E.R: per accounting records
432184	Banrural	\$ 170,706	Q 1,348,970	Q 1,336,207	Q 12,763	8
31-006122984-8	Industrial	7,790	61,559	61,418	141	8
		\$ 178,496	Q 1,410,529	Q 1,397,625	Q 12,904	

Risks:

- No reliable or opportune data might be on hand for decision-taking purposes.
- Real balances might not be reflected in the financial statements for lack of control.

Recommendation: *income earned and collected balances should be disaggregated by components and traced to the related records prior to closing the accounting period out, in order to verify and confirm that the recording of these balances is right.*

Administrator: FCG will ask the Trustee, along with monthly financial statements, delivery status updated the Trust's investments and their interests by way of monitoring the maturity of each of them, the record of uncollected accrued interest and the proper collection of interest on the due dates " .

3. Accounting operations are not documented properly

During our review we note that accounting transactions are not documented properly, because the donation receipts for disbursements FCA as well as deposits that support the delivery of cash on account of Debt Service are not on file with the accounting policy, accounting stating that because the FCA does not send receipts in time, because they are stored in another location. While we note that subsequent expenditure to unauthorized possess the corresponding backup.

In the case of deposits indicates that it is in error when filing.

Bank reconciliations in several cases are not documented with the Bank statement and has no copy. For example, the debt service account of July copy of the statement was obtained.

In all cases was provided documentation.

Risk: Not having the necessary documentation to support accounting operations which would cause doubt as to the transactions recorded without proper support.

Recommendation: In order to adequately support the accounting operations that we consider necessary accounting entries are reviewed and add the missing documents.

UPDATES OF RECOMMENDATIONS TO IMPROVE INTERNAL CONTROL OVER FINANCIAL PROCESSES ON FINDINGS OF THE YEAR 2011.

1. Sector Review accrued interest

Tracing: At the time of our review at December 31, 2012, the divestiture of both certificates are verified, making the recalculation of interest correctly.

2. Lack of review of financial integration

Tracing: At the time of our review at December 31, 2012, the accounting integrations were verified, so it met the recommendation.