

**TROPICAL FOREST CONSERVATION FUND
MANAGED BY FUNDACIÓN PARA LA CONSERVACIÓN DE
LOS RECURSOS NATURALES Y AMBIENTE EN GUATEMALA
(FCG)
TRUST FUND GUATEMALA –TFCA
FIDUCIARY: BANCO G&T CONTINENTAL
Financial Statements
Report of the Independent Auditors
To December 31, 2016 and 2015**

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Independent Auditor's Report

To Oversight Committee
Tropical Forest Conservation Fund
and Board of Directors of Fundación para la Conservación
de los Recursos Naturales y Ambiente en Guatemala -
FCG

Opinion

We have audited the attached financial statements of Tropical Forest Conservation Fund, which operates by a Trust Fund (Trust Fund Guatemala TFCA) established in Banco G&T Continental and it is managed by Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG), which corresponds to the Balance Sheet at December 31, 2016 and 2015, the statements of profit and loss, statements of changes in equity and cash flow correspondent to the ended periods made in such dates, as well as a review of the significant accounting policies of Trust Fund and accounting policies of FCG for its management and any other explanatory information.

In our opinion, the financial statements present reasonably, in all important aspects, the financial situation of the Tropical Forests Conservation Fund, which operates under a Trust (Trust Guatemala TFCA) as of December 31, 2016, the results of its operation and cash flows for the years then ended, in accordance with legal regulations, resolutions, contractual conditions and the existing policies that govern the administration of the Trust, which differ in some aspects of the International Financial Reporting Standards (IFRS).

Bases of the Opinion

We conducted our audit in accordance with International Standards on Auditing (NIA). Our responsibilities under these standards are described in more detail in the auditor's responsibilities for the Audit section of the financial statements of our report. We are independent of the entity in accordance with the International Code of Ethics for Accountants (IESBA Code of Ethics for Accountants) and the ethical requirements that are relevant to our audit of the financial statements in Guatemala, and we have complied the other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Financial Statement's Management

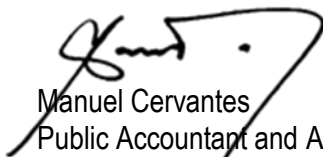
The Trust is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (NIIF) and the internal control that management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of the financial statements, Management is responsible for assessing the capacity of the Trust (Guatemala Trust TFCA) to continue as going concern, revealing, where appropriate, issues relating to the entity in operation and using the accounting principle of Entity in operation.

Those in charge for the management of the entity are responsible for the supervision of the financial information process of the Trust (Guatemala Trust TFCA)

Responsibility of the Auditor

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material inaccuracies, whether due to fraud or error, and issue the audit report that includes our reasonable opinion, security is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing always will detect a material inaccuracy when it exists. The inaccuracies can arise from fraud or error and are considered material if, individually or as a whole, reasonably can be expected to affect economic decisions taken by users on the basis of these financial statements.



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

July 6, 2017
Guatemala City, Guatemala

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Balance Sheet

To December 31 of 2016 and 2015

(Amounts expressed in Quetzales)

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Availabilities (note 4)	7,693,621	191,217
Interest Receivable (note 5)	581,024	1,638,554
Investments Fixed-Term Deposits (note 6)	96,195,921	93,974,399
Total Current Assets	<u>104,470,566</u>	<u>95,804,170</u>
LIABILITIES		
Uncollected accrued interest (note 5)	-	1,638,554
Total Liabilities	<u>-</u>	<u>1,638,554</u>
TRUSTEE PATRIMONY		
PRIMARY CAPITAL		
Trustee Patrimony permanently restricted	73,093,393	69,500,245
COMPLEMENTARY CAPITAL		
Accumulated activities temporarily restricted	31,377,173	24,665,371
TOTAL ACCOUNTING CAPITAL	<u>104,470,566</u>	<u>94,165,616</u>
TOTAL OF LIABILITIES AND PATRIMONY	<u>104,470,566</u>	<u>95,804,170</u>

The attached notes are integral part of the financial statements

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Statements of Income and Expenses

For the years ended on December 31, 2016 and 2015

(Amount expressed in Quetzales)

<u>Description</u>	Year 2016			Year 2015		
	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	Total	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	Total
INCOME						
Financial Products (note 7)	7,925,054	-	7,925,054	4,274,355	-	4,274,355
Payments of the Ministerio de Finanzas Públicas (note 8)	-	12,090,376	12,090,376	-	15,859,174	15,859,174
Other Income		661,647	661,647			
Total income	7,925,054	12,752,023	20,677,077	4,274,355	15,859,174	20,133,529
ADMINISTRATIVE EXPENSES						
Administrative Expenses	420,746	-	420,746	-	730,793	314,248
Transfers made 10% management expenditures	-	1,209,038	1,209,038	-	1,585,917	1,585,917
Donations for projects	-	8,994,878	8,994,878	-	4,607,430	4,607,430
Total expenditure	420,746	10,203,916	10,624,662	-	6,924,140	6,507,595
Profit before tax	7,504,308	2,548,107	10,052,415	4,274,355	8,935,034	13,209,389
(-) Income Tax	792,506	-	792,506	427,443	-	427,443
OTHER RESULTS						
Expenses by operation in foreign currency	-	1,045,041	-	-		-
Net Result of Activities of the year	6,711,802	3,593,148	10,304,950	3,846,912	8,935,034	12,781,946
Initial Balances previous years	24,665,371	69,500,245	94,165,616	20,818,459	60,565,211	81,383,670
Trust Fund Patrimony, at the end of the year	31,377,173	73,093,393	104,470,566	24,665,371	69,500,245	94,165,616

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Statements of Changes in Equity
 For the years ended on December 31, 2016 and 2015
 (Amounts expressed in Quetzales)

	2016	2015
CONTRIBUTION TO THE TRUST ASSETS		
Balance at the beginning of the Year	152,151,715	136,292,541
Payments from the Ministerio de Finanzas (Note 8)	12,090,376	15,859,174
Other income (note 9)	661,647	
Balance at the end of the year	<u>164,903,738</u>	<u>152,151,715</u>
REDUCTION OF THE TRUST ASSETS		
Balance at the beginning of the year	(82,651,470)	(75,727,329)
Adjustment for exchange differential of the previous year	1,045,041	(730,793)
Transfers 10% administrative expenses	(1,209,038)	(1,585,917)
Donations made for projects	(8,994,878)	(4,607,430)
Balance at the end of the year	<u>(91,810,345)</u>	<u>(82,651,470)</u>
Total Trust Assets permanently restricted	73,093,393	69,500,245
ACCUMULATED ACTIVITIES TEMPORARILY RESTRICTED		
Accumulated Activities for Investments	24,665,371	20,818,459
Net activities of the year	6,711,802	3,846,912
Balance at the end of the year	<u>31,377,173</u>	<u>24,665,371</u>
TOTAL TRUST ASSETS	<u><u>104,470,566</u></u>	<u><u>94,165,616</u></u>

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Statements of Cash Flow
To December 31 ,2016 and 2015

Description	2016	2015
CASH FLOW FOR THE OPERATION'S ACTIVITIES		
Net Activities of the Year	7,504,309	3,846,912
Net changes in assets and liabilities		
Payments of the Ministerio de Finanzas	12,090,376	15,859,174
Return balance and project interest	661,647	-
Donation for projects execution	(8,994,878)	(4,607,430)
Disbursements for administrative expenses	(1,209,038)	(1,585,917)
Additions to and use of investment	(2,802,547)	(12,645,614)
Others	1,045,041	(303,349)
Income Tax	(792,506)	(427,443)
Net cash obtained from the operation activities	7,502,404	136,333
Net change in cash	7,502,404	136,333
Cash at the beginning of the year	191,217	54,884
Cash at the end of the year	7,693,621	191,217

The notes attached are integral part of the financial statements

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

1. HISTORY AND OPERATIONS

Brief History of the Trust Fund

The Trust Fund Guatemala TFCA (The Trust), was established for an indefinite period of time on September 30, 2008, according to deed No. 151, of the Notary Karla Guerra de Balsells. The fiscal domicile is established in Guatemala City, being its accounting period from January 1st to December 31th of each year.

The Trust Fund does not have employees, since it is managed by the trust Banco G&T Continental, S.A.

Trustor: Is "Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala" - FCG (as Administrator of the FCA). In accordance with Trust agreement 10% of the payments from the government of Guatemala will be allocated for administration expenses.

FCG was established on March 27, 2000, as a non-governmental non-profit organization of a private nature, without political affiliation, and for the purposes of conservation, ecological, scientific, educational, technological and cultural, with legal personality and ability to acquire rights and incur obligations and to perform the necessary activities for the achievement of its purposes.

The overall objective of FCG is to promote the conservation of biodiversity and the sustainable use of natural resources, environmental management and sustainable development through the implementation and generation of stable funding, administration of services and projects, supply and implementation of specialized services in the environmental area, financing to projects; as well as, the administration of environmental projects. The mission of FCG is to manage and provide financial resources for the conservation and sustainable management of natural and cultural heritage in Guatemala, as drivers of sustainable economic development in the country. FCG does this through grants and the provision of services.

Trustees: Legal people that the trust specifies as grants recipients that will be trustees up to the amount of the donation and only by the term they maintain the status of recipients of donation, and one or more people designated in writing by the Oversight Committee from time to time.

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

Trust Assets: The Trust Assets are formed by the payments from the Government of Guatemala to the Account of Debt Service, in accordance with the Convenio de Conservación de Bosques (FCA, for its acronym in English).

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

Purposes of the Trust: One of the goals of the Trust is to provide funds for the compliance of the objectives of The Tropical Forest Conservation Fund, through the selection made by the Oversight Committee of Project Proposals submitted by recipients of donation, in accordance with the procedures established in the FCA and to cover the cost of operation of the same trust, as authorized by the Oversight Committee and in accordance with the procedures established in the FCA. Also, the conformation of the Endowment Fund, as established in the above-mentioned agreement.

The Oversight Committee of the FCA is integrated by four permanent members as follows: Government of the United States of America (USAID), Government of Guatemala (CONAP), The Nature Conservancy (TNC) and Conservation International (CI).

Likewise, by a term member, currently: Asociación de Investigación y Estudios Sociales (ASIES).

2. SIGNIFICANT ACCOUNTING POLICIES

Presentation bases

The Financial Statements have been prepared in accordance with the legal regulations, resolutions, contractual conditions and existing policies that govern the administration of the trust, which differ in some aspects of the International Financial Reporting Standards (IFRS), but they are acceptable for the administration of the Trust.

a) Income

The interest from bank accounts are monthly recorded when they are accredited by the Bank, and this do not differ from the accounting method of the earned. This is an acceptable accounting practice for registration of financial institutions.

b) Foreign Currency Transactions

Transactions in foreign currencies are recorded in local currency at the exchange rate prevailing at the time of the operation.

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

c) Trust Asset permanently restricted

Those funds are intended exclusively for the specific objectives, whose restriction is typified by the FCA Agreement and by the Contract of the Trust. It is composed of funds entering the trust paid by the Government of Guatemala in accordance with the debt swap with the Government of the United States of America and the private NGO's listed above; these funds are used in accordance with the objectives of the creation of the Trust, based on the plans approved by the Oversight Committee of the FCA, covering mainly the grants for projects, which are described in annex I, called: DETAIL OF PROJECTS FINANCED WITH FCA FUNDS, and 10% of the payments received from the Government of Guatemala, for administrative expenses.

d) Accumulated activities temporarily restricted

These arise from the operation and administration of the Trust Fund, which will be used to support the objectives of the Trust, with prior approval of the Oversight Committee of the FCA.

e) Investments

Investments in certificates of deposit are recorded at acquisition cost and agreed to rates of return in force in the market.

f) Currency Valuation

For the valuation purposes of the investments in foreign currency (US dollars), the administration of the Trust Fund uses the Principle of original Historical Cost; for this reason, if there has been a valuation at the current rate of exchange on closing day of the financial statements, a negative or positive variation may be observed, depending on the movements in exchange rates.

3. MONETARY UNIT AND EXCHANGE RATE REGIME

The financial statements are expressed in Quetzales (Q), official currency of the Republic of Guatemala. The acquisition and sale of foreign currency is carried out in the national banking system, through free negotiation, according to Decree 94-2000 since May 1, 2001.

The Bank of Guatemala, entity authorized by the Monetary Board to implement monetary policies, calculates and publishes daily the rate of exchange of reference of the Quetzal with regard to the dollar of the United States or of America, to be used in the settlement of tax obligations or other involving payments of the State or the State and its entities as well as for the resolution of conflicts in the administrative and jurisdictional area. From December 2, 2006, the use of only one type of exchange rate according to resolution JM-126-2006, issued by the Monetary Board must be applied. On December 31, 2016 and 2015 the exchange rate of

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

reference is Q7.52213 y Q7.63237 for US\$1.00 respectively. There is no foreign exchange restrictions in Guatemala for the repatriation of capital, payment of debt obligations or any other purpose. The foreign currency can be bought and sold in any amount in banks of the system or in authorized money exchange bureaus.

4. AVAILABILITIES

Cash balances at December 31, 2016 and 2015 correspond to the available funds in the accounts of monetary deposits established in the Banco G&T Continental, as well:

Account Number	2016	2015
Banco G&T Continental 01-5801697-5	4,591	11
Banco G&T Continental 001-0036607-0	7,688,199	191,130
Banco G&T Continental 006-019377-8	831	86
TOTAL	7,693,621	191,227

5. ACCRUED INTEREST NOT COLLECTED

Interest on investments made in certificates of fixed-term deposits, incurred in the Guatemalan banking system. To December 31, are integrated as follows:

Investments in US Dollars	2016	2015
Banco Promerica Certificate No.6506	-	1,620,389
Banco Industrial Certificate No. 27153	8,047	1,179
BAM Certificate No. 8270	79,812	-
Banco Promerica Certificate 7603	391,748	-
Banrural Certificate No. 28685	3,489	-
Banrural Certificate No. 55916	15,766	-
Subtotal	498,862	1,621,568
Investments in Quetzales		
Banrural Certificate No. 725063	14,714	-
Interbanco Certificate No. 58494	19,301	-
BAM Certificate No. 40225	27,709	-
Banrural Certificate No. 692869	20,438	16,986
Subtotal	82,162	16,986
Total	581,024	1,638,554

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

6. INVESTMENTS

To December 31, the investment balance is as follows:

	2016	2015
Investment Banco G&T Continental Certificate No. 3-01-4000001215-4 to 365 days to expire on May 6, 2016 at an annual interest of 7.60% payable monthly	-	12,401,652
Investment Banco de Desarrollo Rural S.A. certificate No. 692869 to 365 days to expire on December 20, 2016, at an annual interest of 7.75 payable monthly	-	8,000,000
Investment Banco de los Trabajadores. certificate No. 1390055333 to 365 days to expire on December 20, 2016, at an annual interest of 8.25 payable monthly	-	9,000,000
Investment Banco de los Trabajadores. certificate No. 130047117 to 360 days to expire on April 20, 2016, at an annual interest of 8.25% payable monthly	-	8,112,681
Investment Inter Banco. certificate No. 910087270 to 365 days to expire on December 20, 2016, at an annual interest of 7.50% payable monthly	-	5,850,000
Investment Banco Promerica. certificate No. 901055564 to 365 days to expire on December 21, 2016, at an annual interest of 7.55% payable monthly	-	6,000,000
Investment Banco Industrial certificate No. 31-006-122984-8 to 365 days to expire on May 23, 2016, at an annual interest of 4% payable monthly	-	2,532,872
Investment Banco Agromercantil certificate No. 70-1006953-8 to 365 days to expire on December 17, 2016, for amount US\$260,068, at an annual interest of 3.95% payable monthly	-	1,897,949
Investment Banco Promerica certificate No. 2330-0135100001319 to 365 days to expire on March 14, 2016, for amount US\$5,226,449, at an annual interest of 5% payable monthly	-	38,141,580
Investment Inter Banco certificate No.92-00015581 to 365 days to expire on December 21, 2016, for amount US\$279,213, at an annual interest of 4% payable monthly	-	2,037,665
Investment Banrural certificate No.692869 to 365 days to expire on December 20, 2016, at an annual interest of 7.57% payable monthly	7,000,000	-
Investment Banrural certificate No.725063 to 365 days to expire on May 31, 2017, at an annual interest of 7.75% payable monthly	3,450,000	-
VAN	10,450,000	93,974,399

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

Description	2016	2015
VIENEN	10,450,000	93,974,399
Investment Banco de los trabajadores certificate No.347039 to 365 days to expire on May 20, 2017, at an annual interest of 8.25% payable monthly	5,168,250	-
Investment Banco de los trabajadores certificate No.352987 to 365 days to expire on May 4, 2017, at an annual interest of 8.25%	13,048,286	-
Investment Interbanco certificate No.58494 to 365 days to expire on December 20, 2016, at an annual interest of 7.50%	4,850,000	-
Investment Banco Promerica certificate No.139352 to 365 days to expire on December 20, 2016, at an annual interest of 7.25%	5,000,000	-
Investment Banco Agromercantil certificate No.40225 to 365 days to expire on June 7, 2017, at an annual interest of 7.25%	5,000,000	-
Investment Banco Citibank certificate No.63998 to 365 days to expire on December 22, 2017, at an annual interest of 8%	4,500,000	-
Investment Banco Citibank certificate No.63998 to 365 days to expire on December 20, 2016, by value of US\$3,49,928, at an annual interest of 7.75%	2,703,237	-
Investment Banco Industrial certificate No.7603 to 365 days to expire on March 16, 2017, by value of US\$1,600,000, at an annual interest of 4.5%	12,360,176	-
Investment Banrural certificate No.55916 to 365 days to expire on March 16, 2017, by value of US\$1,000,000, at an annual interest of 4.5%	7,725,110	-
Investment Banco Agromercantil No.8270 to 1,080 days to expire on September 3, 2017, by value of US\$2,868,700, at an annual interest of 5%	22,161,023	-
Investment Banrural No.28685 to 365 days to expire on December 22, 2017, by value of US\$418,100, at an annual interest of 4.5%	3,229,838	-
Total	96,195,921	93,974,399

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

7. FINANCIAL PRODUCTS

The income generated in Dollars as in Quetzales at December 31, are the following:

Description	2016	2015
Interests by investments placement	7,925,054	4,274,355
Total a/	7,925,054	4,274,355

a/ The interests from the certificates in Dollars and Quetzales are included in these accounts.

8. TRUST ASSETS PERMANENTLY RESTRICTED

The GOG payments to December 31, are incorporated as follows:

Description	2016	2015
January 27	-	868,795
March 12	-	1,822,102
April 20	-	3,745,091
May 18	-	1,485,350
July 29	-	870,610
September 11	-	1,846,094
October 22	-	3,733,183
November 19	-	1,487,949
January 29	871,331	-
April 20	3,768,288	-
May 16.	1,484,956	-
July 31	858,908	-
October 21	3,650,544	-
November 22	1,456,349	-
Total Contributions of the period	12,090,376	15,859,174
Beginning Balance of the period	152,151,716	136,292,542
Total	164,242,092	152,151,716

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

Financial Statements Notes

For the finished years to December 31 2016 and 2015

9. OTHER INCOME

On May 3, 2016, Q661,647 was deposited to the debt service account of the Guatemala TFCA Trust corresponding to project surplus and accrued interest in the bank account from 2008 to March 31 of the year 2016, this adjustment was made by the Bank in the financial statements for the year 2017.

9. EXCHANGE DIFFERENTIAL

The accounting records of the TFCA Trust are carried out in accordance with the Commerce Code Decree 2-70 of the Congress of the Republic of Guatemala, which is in force to date. For the accounting record of the investments made, historical cost is used.

In November 2016, the debit balance recorded in the Fluctuation account, accrued as of December 31, 2015, in the amount of Q.1,045,041, was regularized and debited from the Accruals for Fluctuations and Expense Variation Exchange Rates, arising from the variation of the exchange rate on foreign exchange operations and the renewal of investments by deadline of the term

9. SUBSEQUENT EVENTS

There is no knowledge of any subsequent event occurred between the date of the financial statements and the date of its approval by the administration and even prior to the date of the issuance of the report of the independent auditors, requiring the modification of the figures presented in the financial statements.



**Report on Compliance with
Contractual Clauses of Accounting and Financial Nature**

To Oversight Committee

Tropical Forest Conservation Fund and to the Board of Directors of Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG

We have audited the balance sheet of Tropical Forest Conservation Fund, which operates under a Trust (Fideicomiso Guatemala TFCA) established in the Banco G&T Continental and it is managed by the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG), to December 31, 2016 and 2015, the statements of results, of changes in equity, and cash flows of the years ending in those dates, financial statements are responsibility of the fiduciary, and we have issued a report dated July 6, 2017.

In relation to our audit, we examined the fulfillment of the contractual terms of accounting and financial nature established in the Constitution Deed of the Trust and its regulations and other laws and regulations applicable to the operations of the Trust, during the years ending on December 31, 2016 and 2015.

Compliance with the terms of the agreement, laws and regulations applicable to Tropical Forest Conservation Fund (Trust Fund Guatemala TFCA), is the responsibility of the Trest Management and Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG).

We conducted our audits in accordance with International Standards on Auditing -NIA. These standards require the proper planning and execution of the audit to obtain reasonable certainty that the Administration of the Trust Fund has complied with the relevant clauses of the Trust Constitution Deed, and to applicable laws and regulations; therefore, our goal was to get an opinion about the overall compliance with such regulations.

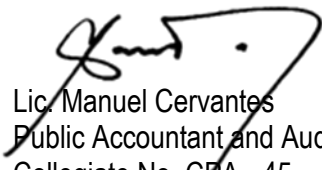
Also, we perform an assessment of compliance with legal aspects of financial accounting, established in the above-mentioned contract and other applicable laws and regulations.

The interests of the investments are calculated and recorded correctly and do not present discrepancy.

In our opinion, the Administration of the Trust and Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG), complied with the provisions of relevant financial accounting nature and we were not aware of other facts or events involving the breach or violation by the trust of such clauses and provisions of financial accounting nature.

We observed no other matters related to compliance with the terms of the contract and applicable laws and regulations that we would have informed the Trust Management and Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG).

This report was prepared for use by the Trust Management of Tropical Forest Conservation Fund (Trust Fund Guatemala TFCA) and Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG). This restriction does not try to limit its distribution, which with the approval of the trustor, is a matter of public interest.



Lic. Manuel Cervantes
Public Accountant and Auditor
Collegiate No. CPA - 45

July 6, 2017
Guatemala City, Guatemala



Report of the Independent Auditors on compliance with the terms of the Forest Conservation Agreement relating to the granting of donations, Project Management, and compliance with terms of the Grant Agreement by the Grant Recipients

To Oversight Committee

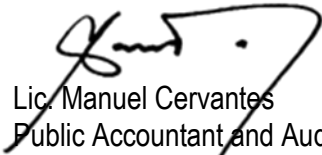
Tropical Forest Conservation Fund and the Board of Directors of Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG

We have audited the compliance of the matters established by the program **Tropical Forest Conservation Fund**, in relation to the debt-for-nature swap and managed by **Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG** and in relation to section 5 of the Forest Conservation Agreement on the granting of donations, administration and follow-up for the projects, (section 5.2.6 Use of donations) and compliance with the implementation of donations in accordance with the terms of the Grant Agreement by grant recipients.

We conducted our audit in accordance with International Auditing Standards applicable to the compliance reviews of contractual clauses. Those standards require that we plan and develop the audit to obtain reasonable assurance about whether the funds authorized for the institutions that receive grants have been awarded in accordance with the authorized purposes and if Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG, in its capacity as administrator of the program, has complied with the specified in the FCA agreement and if the recipients of the donations are implementing the project in accordance with the terms of the grant agreement. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the " Tropical Forest Conservation Fund" program administered by "Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala – FCG" kept in respect of all material compliance with the matters mentioned in Forest Conservation Agreement to which we referred in the preceding paragraphs for the year ended December 31, 2016 and 2015.

This report was prepared for the information of the Oversight Committee of the Program “Tropical Forest Conservation Fund” and Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG. However, once, this report is distributed, it is a matter of public interest and their distribution will not be restricted.



Lic. Manuel Cervantes
Public Accountant and Auditor
Collegiate No. CPA - 45

July 6, 2017
Guatemala City, Guatemala



ACCOUNTING CERTIFICATE

To Oversight Committee

Tropical Forest Conservation Fund and the Board of Directors of Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala – FCG

We issue this Certification over adequate management of funds, accounting records and budget execution about the Bank Accounts **FCG - Cuenta Gastos Administrativos-TFCA** identified with No. 66-0009301-3 G&T Continental Bank, S.A., **FCG – Cuenta de Donaciones - TFCA** No. 66- 0009302-1, G&T Continental Bank, S.A. and **FCG – Cuenta de Reserva – TFCA** identified with No. 66-0015478-1 G&T Continental Bank S.A., in charge of the Administrator, **Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG**, for the year ended December 31, 2016.

This certification is only for information to the Oversight Committee of " Tropical Forest Conservation Fund" Program and "Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala – FCG".

Lic. Manuel Cervantes
Public Accountant and Auditor
Collegiate No. CPA - 45

July 6, 2017
Guatemala City, Guatemala

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

To December 31, 2016

Fourth Cycle				DISBURSEMENTS 2016		
1	Conservation and restoration of the biodiversity and connectivity of the Sierra María Tecún cloud forest for the provision of natural goods and services in the municipalities of Totonicapán and Santa María Chiquimula	Q2,488,348.75	Tropical Forest Conservation Fund	CARE	Developing	Q372,548.95
2	Conservation and development in the Western Highlands of Guatemala	Q2,438,822.69	Tropical Forest Conservation Fund	Asociación Helvetas	Developing	Q280,435.73
3	Ecological restoration for connectivity in the Selegua and Ixcán basins, Huehuetenango	Q2,500,000.00	Tropical Forest Conservation Fund	FUNDAECO	Developing	Q424,722.22
4	Partnerships to improve governance in highly threatened areas in the Multiple Use Zone, Maya Biosphere Reserve	Q2,497,439.00	Tropical Forest Conservation Fund	WCS	Developing	Q685,453.00
5	Community participation in the restoration, protection and conservation of ecosystem goods and services in the Rio Rancho Viejo sub-basin, Selegua River basin in the Sierra de los Cuchumatanes, Huehuetenango	Q2,293,118.00	Tropical Forest Conservation Fund	ACODIHUE	Developing	Q414,386.68
6	Biodiversity conservation and participatory management in the sustainable use of natural resources in 8 sub-basins of the Sierra de las Minas Biosphere Reserve	Q2,471,460.60	Tropical Forest Conservation Fund	Fundación Defensores de la Naturaleza	Developing	Q496,335.00

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

To December 31, 2016

Fourth Cycle					DISBURSEMENTS 2016	
7	Territorial management for the conservation and sustainable management of the Acatenango-Fuego volcanic complex	Q2,412,031.47	Tropical Forest Conservation Fund	CATIE	Developing	Q591,907.87
8	Conservation and restoration of tropical forests in the Bio-Cultural Corridor and Sustainable Development Zunil-Atitlán-Balam Juyú	Q2,496,480.00	Tropical Forest Conservation Fund	Asociación Vivamos Mejor	Developing	Q354,643.20
9	Consolidation of a special protection system for the recovery, restoration and conservation of the eastern zone of Laguna del Tigre National Park and its biological corridor in the Maya Biosphere Reserve, with participation and alliances between government institutions, community groups and organized civil society	Q2,382,700.00	Tropical Forest Conservation Fund	Asociación Balam	Developing	Q571,848.00
10	Management of natural resources for the consolidation of integral management in the concessionary process of the Carmelita Management Unit	Q2,500,000.00	Tropical Forest Conservation Fund	Cooperativa Carmelita	Developing	Q749,175.00
11	Regional Subprogramme	Q3,000,000.00	Tropical Forest Conservation Fund	ASOCUCH	Developing	Q1,612,500.00
12	Regional Subprogramme	Q3,000,000.00	Tropical Forest Conservation Fund	Fundación Naturaleza para la Vida	Developing	Q112,500.00
13	Regional Subprogramme	Q3,000,000.00	Tropical Forest Conservation Fund	ASOPROGAL	Developing	Q1,612,500.00
14	Regional Subprogramme	Q3,000,000.00	Tropical Forest Conservation Fund	TIKONEL	Developing	Q112,500.00

TROPICAL FOREST CONSERVATION FUND (TRUST FUND GUATEMALA TFCA)

ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

To December 31, 2016

Tercer Ciclo					DESEMBOLSOS 2016	
Programa de Pequeñas Donaciones PPD/FCA						
15	Protection of unique ecosystems and endemic endangered species in 7 National, Municipal and Community Conservation Units of the Department of Huehuetenango	Q2,221,789.50	Tropical Forest Conservation Fund	FUNDAECO	Finalized	Q200,298.00
16	Completion of Legal Declaratory process, consolidation of Core Areas and initiation of participatory management processes of the "Sierra Caral Water and Forestry Reserve	Q1,634,235.00	Tropical Forest Conservation Fund	FUNDAECO	Finalized	Q158,099.20
17	Strengthening of Local Capacities for the Conservation and Management of Natural Resources and Biodiversity in Protected Areas and Forests of Municipalities, Communities and Private, of the Volcanic Chain of Quetzaltenango and Totonicapán.	Q2,308,605.00	Tropical Forest Conservation Fund	HELVETAS Guatemala	Finalized	Q245,025

Observations

Among the audit procedures, additional to the documentary evidence in the records that are submitted by each beneficiary organization to the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala – FCG, visits were made to the headquarters of the organizations described below, in order to validate the financial reports delivered to the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala (FCG), receipts, statements of account which reflect the income received and bank reconciliations, among others. The institutions that were visited as part of the sample were the following:

- a) Asociación HELVETAS
- b) Asociación Vivamos Mejor
- c) Asociación CATIE

With the selected sample, we conclude that the records are adequate and consistent with those that are in the files of Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala – FCG.