

FIDEICOMISO GUATEMALA TFCA
Financial Statements as of December 31, 2017
With the Opinion of the Independent Auditor

Audit of the financial statements of the Programa Fondo para la Conservación de Bosques Tropicales del Fideicomiso Guatemala - TFCA for the year ended December 31, 2017

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AUDIT REPORT ISSUED BY THE INDEPENDENT AUDITOR

Messrs
Oversight Committee of
**Fondo Para la Conservación de Bosques
Tropicales - FCA and Board of Directors of
Fundación para la Conservación de los
Recursos Naturales y Ambiente en Guatemala - FCG**
Guatemala City

Opinion

We have audited the financial statements of Programa Fondo para la Conservación de Bosques Tropicales del **Fideicomiso Guatemala - TFCA** (hereinafter called "TRUST"), that include the Statements of Financial Situation as of December 31, 2017, as well as the corresponding Statements of Comprehensive Activities, Trust Patrimony Movement, and Cash Flow during the year ended on that date; also, the explanation notes of the financial statements that include a summary of important accounting policies.

In our opinion, the attached financial statements express, in all material aspects, that the financial situation of the TRUST as of December 31, 2017 is reasonable; as well as the result of its integral activities and its cash flows for the year ended on that date, in accordance with International Norms of Financial Information - (NIIF) (Spanish acronym).

Bases of the opinion

We have carried out our audit according to Audit International Norms (NIAS) (Spanish Acronym). Our responsibility according to these norms is described later in the section called "Auditor responsibilities for financial statement audit". We are independent from the TRUST, according to dispositions of the Ethics Code for Public Accountants issued by the Ethics International Norms Council (IESBA) (Spanish acronym) and other ethics norms applicable to audits of financial statements in Guatemala. We consider that the audit evidence is sufficient and adequate and provides a reasonable basis for our opinion.

Responsibilities of the direction and those responsible for the Administration of the TRUST with reference to financial statements

The Administration of the TRUST is responsible for the preparation and presentation of the attached financial statements, according to the NIIF; as well as internal controls that I deem necessary to allow financial statement preparation and presentation to be free of significant errors, due to fraud or mistakes.

In the preparation and presentation of financial statements, the TRUST Administration is responsible for evaluating the capacity to continue as a running business; revealing, as it corresponds, related issues, except that the Administration proposes to liquidate the TRUST, or terminate its operations, or does not have a more realistic alternative for doing so.

Those in charge of FCG Administration are responsible for supervising the preparation and presentation process of financial statements of the TRUST.

Responsibilities of the auditor for the audit of the financial statements.

Our objective is to obtain reasonable assurance that the financial statements, as a whole, are free of material error, whether for fraud or error, and to issue our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted according to ISA always detects material errors when they exist. There might be mistakes for fraud or error, and these are considered material, if individually, or as a whole, can be reasonably expected to influence economic decisions made by users based on financial statements. In "Annex A" that is an integral part of this report, we are including a detailed description of our responsibilities as Independent Auditors.

Paragraphs of emphasis

Financial Statements as of December 31, 2016, were audited by other auditors; whose report, dated June 23, 2017, presents an unqualified opinion. In this report, figures of financial statements as of December 31, 2016, are presented only for comparison purposes.

Our audit was conducted for the purpose of having an opinion on the basic financial statements considered as a whole. The complementary information on the projects that have been financed with the funds of the TRUST as of December 31, 2017, corresponding to the fourth cycle of operations (see Annex I), is presented to facilitate the additional analysis of the financial statements.

Santos, Barrera & Asociados, S.C.
Independent Member of Baker Tilly International



~~Gilmar D. Barrera Arenales~~
Public Accountant and Auditor
Collegiate No. 677

Guatemala, February 28, 2018

ANNEX A
TO THE AUDIT REPORT ISSUED BY THE INDEPENDENT AUDITOR

As a part of the audit, pursuant to International Standards on Auditing - (ISA), we apply our professional judgment and maintain a skeptical professional attitude during the whole audit. We also:

- a) Identified and assessed the risks of material misstatements in financial statements, due to fraud or mistake, design and apply audit procedures to respond to such risks, and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material incurrence due to fraud is higher than in the case of a material incurrence due to error, as fraud might imply collusion, falsification, deliberate omissions, intentional erroneous manifestations or eluding internal controls.
- b) We obtained knowledge of the relevant internal controls for the audit, for the purpose of designing audit procedures that are adequate, considering the circumstances and not for the purpose of expressing an opinion on the efficacy of the TRUST internal controls.
- c) We evaluated the adequacy of applied accounting policies, the reasonableness of accounting estimations, and the corresponding information disclosed by Management.
- d) We concluded on the adequacy of utilization by Management of the accounting principle of ongoing concern and, based on the audit evidence obtained, we concluded on whether or not there is material uncertainty related to facts or with conditions that may generate significant doubts on the capacity of the TRUST to continue to be a going concern. If we conclude that there is material uncertainty that would require drawing attention in our audit report on the corresponding information disclosed in the financial statements, or if those said revelations are not adequate, that we express a modified opinion. Our conclusions are based on audit evidence obtained as of the date of our audit report. Nevertheless, future facts or conditions may be the cause for the TRUST to stop being a going concern.
- e) We evaluated the global presentation, the structure and the contents of the financial statements, including disclosed information and whether the financial statements represent underlying transactions and facts, in a manner that is a faithful presentation.

We communicated to the TRUST's Management, among other things, the scope, and the moment of conducting the audit and the significant findings of the audit, as well as any significant deficiencies in internal controls that we identified in the course of the audit.

FINANCIAL SITUATION STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31,

(Amounts expressed in Quetzals)

	2017		2016	
ASSETS				
Availabilities (Note 4)	Q	6,560,754	Q	7,693,621
Receivable interest (Note 5)		796,557		581,024
Investment fixed-term deposits (Note 6)		96,691,328		96,195,921
TOTAL ASSETS	Q	104,048,639	Q	104,470,566
TRUST PATRIMONY				
Permanently restricted		68,369,113		73,093,393
Temporarily restricted		35,679,526		31,377,173
TOTAL ACCOUNTING CAPITAL		104,048,639		104,470,566
PATRIMONY SUM	Q	104,048,639	Q	104,470,566

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

STATEMENTS OF COMPREHENSIVE ACTIVITIES

Fideicomiso Guatemala TFCA

For the years ended on December 31,

(Amounts expressed in Quetzals)

	2017			2016		
	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total
INCOME						
Financial interest (Note 9)	Q 6,165,513	Q -	Q 6,165,513	Q 7,925,054	Q -	Q 7,925,054
Contributions from the Ministry of Public Finance during the year (Note 7)	-	11,679,138	11,679,138	-	12,090,376	12,090,376
Other income (Note 10)	-	43,821	43,821	-	661,647	661,647
	6,165,513	11,722,959	17,888,472	7,925,054	12,752,023	20,677,077
ADMINISTRATION EXPENSES						
Administration expenses	-	-	-	(420,746)	-	(420,746)
Transfers made, 10% administrative expenses (Note 8)	-	(1,167,914)	(1,167,914)	-	(1,209,038)	(1,209,038)
Donations made for projects (Note 8)	-	(15,279,325)	(15,279,325)	-	(8,994,878)	(8,994,878)
Profits before income tax	6,165,513	(4,724,280)	1,441,233	7,504,308	2,548,107	10,052,415
Income Tax (Note 11)	(616,557)	-	(616,557)	(792,506)	-	(792,506)
Excess income over expenses	5,548,956	(4,724,280)	824,676	6,711,802	2,548,107	9,259,909
OTHER COMPREHENSIVE RESULTS						
Result from operations in foreign currency (Note 12)	(1,246,603)	-	(1,246,603)	-	1,045,041	1,045,041
CHANGES OF NET ACTIVITIES OF THE YEAR	Q 4,302,353	Q (4,724,280)	Q (421,927)	Q 6,711,802	Q 3,593,148	Q 10,304,950

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

STATEMENTS OF TRUST PATRIMONY MOVEMENT

Fideicomiso Guatemala TFCA

For the years ended on December 31,

(Amounts expressed in Quetzals)

	2017	2016
PERMANENTLY RESTRICTED TRUST PATRIMONY		
CONTRIBUTIONS TO THE TRUST		
Starting balance of the period (Note 7)	Q 164,903,738	Q 152,151,715
Contributions from the Ministry of Public Finance during the year (Note 7)	11,679,138	12,090,376
Accumulated contributions	176,582,876	164,242,091
Other income (Note 10)	43,821	661,647
Ending balance	176,626,697	164,903,738
DEDUCTIONS FROM THE TRUST PATRIMONY		
Starting balance of the period (Note 8)	(91,810,345)	(82,651,470)
Adjustment for the exchange differential of the previous year	-	1,045,041
Transfers made, 10% administrative expenses (Note 8)	(1,167,914)	(1,209,038)
Donations made for projects (Note 8)	(15,279,325)	(8,994,878)
Ending balance	(108,257,584)	(91,810,345)
TOTAL PERMANENTLY RESTRICTED TRUST PATRIMONY	68,369,113	73,093,393
TEMPORARILY RESTRICTED ACCUMULATED ACTIVITIES		
Activities accumulated through investments	31,377,173	24,665,371
Net activities of the year	4,302,353	6,711,802
Ending balance	35,679,526	31,377,173
TOTAL PERMANENTLY RESTRICTED TRUST PATRIMONY	Q 104,048,639	Q 104,470,566

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

CASH FLOW STATEMENTS

Fideicomiso Guatemala TFCA

For the years ended on December 31,

(Amounts expressed in Quetzals)

	2017	2016
CASH FLOWS FROM OPERATIONAL ACTIVITIES:		
Net activities during the year (Note 9)	Q 6,165,513	Q 7,504,309
Net changes in assets and liabilities:		
Cash received for contributions (Note 8)	11,679,138	12,090,376
Other income (Note 10)	43,821	661,647
Donation for project execution (Note 9)	(15,279,325)	(8,994,878)
Disbursements for administrative expenses (Note 9)	(1,167,914)	(1,209,038)
Investment additions	(495,407)	(2,802,547)
Receivable interest	(215,533)	-
Operating expenses in foreign currency (Note 12)	(1,246,603)	1,045,041
Income Tax (nota 11)	(616,557)	(792,506)
Net cash (used in) generated from operating activities	(1,132,867)	7,502,404
Net change in cash during the year	(1,132,867)	7,502,404
Cash at the beginning of the year	7,693,621	191,217
CASH AT THE END OF THE YEAR	Q 6,560,754	Q 7,693,621

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

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

(1) Trust operations

The Guatemala TFCA Trust (the "Trust"), was established for an indefinite period of time on September 30, 2008, according to Deed No.151 of Notary Karla Guerra de Balsells. Its fiscal domicile is in Guatemala City. The accounting period of the Trust runs from the first of January to the thirty-first of December of each year.

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

Trustor: The Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG (as administrator of the FCA). According to the Agreement for the creation of the Trust, 10% of the payments of the Government of Guatemala or 15% of the funds awarded to projects will be used for administrative expenses.

FCG was created on March 27, 2000, as a private, non-profit non-governmental organization with no political affiliation and for conservation, ecological, scientific, educational, technological and cultural purposes, with legal personality and the capacity to acquire rights, to acquire obligations and to carry out the necessary activities to achieve its goals.

The general objective of FCG is to promote conservation of biodiversity and sustainable development, through the stable execution and generation of funds, administration of services and projects, proposal and execution of specialized services in the environmental area, project financing, as well as environmental project administration.

The mission of FCG is to manage and provide financial resources for the conservation and sustainable management of the natural and cultural heritage in Guatemala, as drivers of sustainable economic development in the country. This is done through donations and the provision of services.

Trustees: Trustees are the legal beneficiaries listed in the Trust, which are the recipients of donations. They will be trustees up to the amount of the donation and only for the term in which they maintain the status quo as recipients of donations, and one or more persons designated in writing by the Oversight Committee.

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

Patrimony in Trust: The Patrimony in Trust is formed by the payments of the Government of Guatemala to the Debt Service Account, under the provisions of the Forest Conservation Agreement (FCA).

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

- During 2017, Q11,679,138 were received from the Government of Guatemala (see note 7).
- Any appreciation of value, interest and investments made, generated by such funds from time to time.
- Any additional third-party deposits as approved by the Oversight Committee and communicated to the Trustee through the Trustor.

Purposes of the Trust: Among the purposes of the Trust are: To provide funds for the fulfillment of the objectives of the Fund for the Conservation of Tropical Forests, by means of the selection made by the Oversight Committee of project proposals present by donation recipients, pursuant to the procedures established in the FCA and cover the operating costs of the same Trust, in accordance with the authorization of the Oversight Committee, in accordance with the procedures established in the FCA. Likewise, the Encosument Fund will be created as established in the aforementioned Agreement.

FCA's Oversight Committee is formed as follows:

- Permanent members:
- a) Government of the United States of America (USAID)
 - b) Government of Guatemala (CONAP)
 - c) The Nature Conservancy (TNC)
 - d) Conservation International (CI).
- Term member:
- e) Research and Social Studies Association (ASIES).

Fund for the Conservation of Tropical Forests: The Fund is financed with the funds obtained from the debt for nature swap between Guatemala and the Government of the United States. The regions supported by the fund have been selected for their ecological importance at the regional and national levels, because they are critical areas that comply with the national and institutional policies and strategies of the Government of Guatemala within the Guatemalan System of Protected Areas - SIGAP and for their social and economic relevance for Guatemala and Mesoamerica.

These regions are:

- 1) The Maya Biosphere Reserve.
- 2) The Cuchumatanes region.
- 3) The Motagua - Polochic valley system and the Caribbean coast.
- 4) The volcano chain of the Western Highlands of Guatemala.

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

The activities carried out in the regions are financed with funds obtained from the Trust and are executed by community, regional or national non-governmental organizations. The allocation of resources for the fund was US\$22 million from the Government of the United States of America through the debt swap with the Government of Guatemala and US\$2 million from private NGO's: The Nature Conservancy (TNC) and Conservation International (CI). The total amount is US\$24 million, which must be contributed during 15 years from the date of signature of the agreements.

Until the second cycle of projects, the fund's activities have been divided into cycles with biannual periods. The first cycle covers operations from 2008 to 2010, the second cycle covers operations from 2010 to 2012, the third cycle covers operations from 2012 to 2015 and the fourth cycle covers operations from 2016 to 2019 (see Annex I).

During 2012, the FCA Fund launched the first cycle of projects and started the Small Grants Program (SGP/FCA) whose objective is to establish community participation as a key pillar to promote the sustained use of Ecosystems through the decentralization of FCA functions through the implementation of 5 regional sub-programs of Q2,500,000 each. That approved small grants to Local Grassroots Organizations (LGO) for projects of under Q300,000 which have the non-objection of the fund's oversight committee.

Currently the organizations selected to manage subprograms, which are implementing the second cycle of the SGF / FCA are:

- 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 Integral para el Occidente - (ADIPO).

These operations of the 2nd cycle of SGP started in 2016 and ends in 2019.

(2) Summary of the most significant accounting policies

Financial statements have been prepared in all its material aspects, according to the International Financial Reporting Standards (IFRS). The main accounting policies adopted by of the Trust when registering their operations and in the preparation of its financial information are summarized as follows:

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

a) Income

Interest from bank accounts is recorded monthly when credited by the Bank, which does not differ from the accrual accounting method.

Likewise, interest from investments in fixed-term certificates of deposit are recorded monthly, which complies with the accounting method of accrual. Such interest is credited according to the conditions agreed upon in the certificates, in monthly or quarterly installments and at maturity.

b) Foreign currency transactions

Transactions in foreign currency are recorded in local currency at the rate of exchange effective at the time of the operation. Balance of assets and liabilities in foreign currency are re-stated in local currency at the end of each year, at the rate of exchange prevalent in the banking system and the corresponding effect is included as a part of the results of the period.

c) Equity in Trust that is permanently restricted

These are the funds intended exclusively for specific objectives, whose restriction is defined by the FCA Agreement and by the Trust Agreement. It is made up of the funds that enter the Trust from the Government of the Guatemala through debt swap with the Government of United States of America and the private NGOs named above. These funds are used according to the objectives of the creation of the Trust, based on the plans approved by the Oversight Committee of FCA, covering mainly donations for projects and 10% of the payments received from the Government of Guatemala which are intended for administrative expenses (see Note 8).

d) Temporarily restricted accumulated activities

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

e) Presentation of basic financial statements

Since International Financial Reporting Standards do not define the name of basic financial statements for non-profit entities, the basis was taken from the FASB-117, issued by the Financial Accounting Statement Board (FASB) of the United States of America.

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

f) Investments

Investments in deposit certificates are recorded at the acquisition cost and agreed upon at applicable market interest rates.

(3) Currency unit

Financial statements are stated in Quetzals (Q), legal tender currency of the Republic of Guatemala. As of March 16, 1994, the Monetary Board authorized determining the value of the Quetzal with respect to the United States of America Dollar through the supply and demand market of the banking system of the country. As of December 31, 2017, the average of exchange rate in the banking market was Q7.34 per US\$1. Resolution JM-126-2006 of October 2006 authorized the use of weighted averages of the exchange rate for the purchase and sale of currency.

There are no exchange restrictions in Guatemala for capital repatriation, payment of debts or any other purpose. Any amount of foreign currency may be bought and sold in banks of the system, or in authorized exchange facilities.

(4) Availabilities

As of December 31, cash is integrated in the following manner:

	2017		2016	
Banco G&T Continental 001-0036607-0 - Quetzals	Q	6,510,982	Q	7,688,199
Banco G&T Continental 01-5801697-5 - Dollars		751		4,591
Banco Industrial 006-019377-8 - Dollars		49,021		831
	Q	6,560,754	Q	7,693,621

(5) Receivable Interest

Interest that corresponds to certificates of fixed term deposits, invested in the Guatemalan banking system. As of December 31, it is integrated as follows:

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

	2017		2016	
<u>Investments in dollars</u>				
Banco Promerica Certificate No.8513	Q	394,358	Q	-
Banco Agromercantil Certificate No.8270		311,356		79,812
Banrural Certificate No.56718		15,964		-
Banco Industrial Certificate No.27153		8,217		8,047
Inter Banco Certificate No.62817		1,607		-
Banco Promerica Certificate No.7603		-		391,748
Banrural Certificate No.28685		-		3,489
Banrural Certificate No.55916		-		15,766
		731,502		498,862
<u>Investments in quetzals</u>				
Banrural Certificate No.815226		33,069		-
Inter Banco Certificate No.60341		26,549		-
Citi Bank Certificate No.166691		5,437		-
Banrural Certificate No.725063		-		14,714
Inter Banco Certificate No.58494		-		19,301
Banco Agromercantil Certificate No.40225		-		27,709
Banrural Certificate No.725063		-		20,438
		65,055		82,162
	Q	796,557	Q	581,024

(6) Fixed term deposit investments

As of December 31, 2017, these are formed as follows:

	2017		2016	
<u>Investment in quetzals</u>				
Investment in fixed-term deposit in Banco de los Trabajadores No.374187 with due date May 4, 2018, accruing 8.50% interest rate payable monthly.	Q	13,048,285	Q	-
Balance forward		13,048,285		-

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

Incoming Balance	13,048,285	-
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.815226 with due date December 20, 2018, accruing 7% interest rate payable monthly.	7,000,000	-
Investment in fixed-term deposit in Banco G&T Continental, S.A. No.318858 with due date May 11, 2018, accruing 6.75% interest rate payable monthly.	5,250,000	-
Investment in fixed-term deposit in Banco de los Trabajadores No.382065 with due date September 24, 2018, accruing 8.50% interest rate payable monthly.	5,000,000	-
Investment in fixed-term deposit in Banco Promerica No.146220 with due date December 21, 2018, accruing 7% interest rate payable monthly.	5,000,000	-
Investment in fixed-term deposit in Inter Banco No.60341 with due date December 10, 2018, accruing 7% interest rate payable monthly.	4,850,000	-
Investment in fixed-term deposit in Banco Promerica No.166691 with due date December 26, 2018, accruing 7% interest rate payable monthly.	4,500,000	-
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.782002 with due date May 31, 2018, accruing 7.50% interest rate payable monthly.	3,450,000	-
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.747904 with due date December 20, 2017, accruing 7.75% interest rate payable monthly.	-	7,000,000
Balance forward	48,098,285	7,000,000

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

Incoming Balance	48,098,285	7,000,000
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.725063 with due date May 31, 2017, accruing 7.75% interest rate payable monthly.	-	3,450,000
Investment in fixed-term deposit in Banco de los Trabajadores No.365691 with due date December 22, 2017, accruing 8.25% interest rate payable monthly.	-	5,168,250
Investment in fixed-term deposit in Banco de los Trabajadores No.352987 with due date May 4, 2017, accruing 8.25% interest rate payable monthly.	-	13,048,286
Investment in fixed-term deposit in Inter Banco No.58494 with due date December 20, 2016, accruing 7.50% interest rate payable monthly.	-	4,850,000
Investment in fixed-term deposit in Inter Banco No.139352 with due date December 20, 2016, accruing 7.50% interest rate payable monthly.	-	5,000,000
Investment in fixed-term deposit in Banco Agromercantil No.40225 with due date June 7, 2017, accruing 7.25% interest rate payable monthly.	-	5,000,000
Investment in fixed-term deposit in Banco Citybank No.63998 with due date December 22, 2017, accruing 8% interest rate payable monthly.	-	4,500,000
	48,098,285	48,016,536
Investments in US\$ Dollars		
Investment in fixed-term deposit US\$2,868,700 in Banco Agromercantil No.8270 with due date March 2, 2019, accruing 5% interest rate payable quarterly basis.	21,578,196	22,161,023
Balance forward	21,578,196	22,161,023

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

Incoming Balance	21,578,196	22,161,023
Investment in fixed-term deposit in Banco Promerica, S.A. No.8513 for US\$1,664,800 with due date March 16, 2018, accruing 4.50% interest rate payable at expiration.	12,522,530	-
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.56718 for US\$1,038,250 with due date March 16, 2018, accruing 4.25% interest rate payable monthly.	7,809,657	-
Investment in fixed-term deposit in Inter Banco No.62817 for US\$521,800 with due date December 27, 2018, accruing 4.25% interest rate payable at expiration.	3,924,950	-
Investment in fixed-term deposit in Banco Industrial, S.A. No.27153 for US\$366,622 with due date May 23, 2018, accruing 4% interest rate payable monthly.	2,757,710	2,703,237
Investment in fixed-term deposit in Banco Industrial, S.A. No.7603 for US\$1,600,000 with due date March 16, 2017, accruing 4.50% interest rate payable at expiration.	-	12,360,176
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.55916 for US\$1,000,000 with due date March 16, 2017, accruing 4.50% interest rate payable monthly.	-	7,725,110
Investment in fixed-term deposit in Banco de Desarrollo Rural, S.A. (Banrural) No.28685 for US\$418,100 with due date December 22, 2017, accruing 4.50% interest rate payable monthly.	-	3,229,839
	48,593,043	48,179,385
	Q 96,691,328	Q 96,195,921

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

(7) Permanently restricted trust patrimony

As of December 31, 2017, these are formed as follows:

Patrimony in the trust		
	Date	Value
Starting balance of the period		Q 164,903,738
Payments from the Ministry of Public Finance during the year		
	01/31/2017	848,788
	04/19/2017	2,322,993
	04/28/2017	1,250,817
	05/22/2017	1,426,010
	07/31/2017	827,663
	10/24/2017	2,326,282
	10/24/2017	1,253,015
	11/17/2017	1,423,570
Total payments of the period		11,679,138
Balance as of Decembre 31, 2017		176,582,876
Total payments for the year 2016		Q 12,090,376

(8) Deductions from the patrimony in the trust permanently restricted

As of December 31, 2017, these are formed as follows:

Deductions from the patrimony in the trust		
	Date	Value
Starting balance of the period		Q 91,810,345
Donations for FCA projects		
	01/18/2017	112,500
	3/03/2017	974,317
Balance forward		1,086,817

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

Incoming Balance		1,086,817
	3/10/2017	1,584,231
	03/17/2017	749,675
	4/04/2017	3,000,000
	05/22/2017	1,297,102
	05/31/2017	536,611
	06/15/2017	400,260
	8/09/2017	490,876
	08/24/2017	2,565,000
	08/24/2017	1,340,768
	10/06/2017	1,648,450
	11/14/2017	579,535
Total donations for the year 2017 (see Annex I)		15,279,325
Total donations for the 2016	Q	8,994,878

Transfers made, 10% administrative expenses		
	Fecha	Monto
	2/01/2017	Q 84,879
	5/04/2017	125,082
	5/04/2017	232,299
	05/22/2017	142,601
	8/09/2017	82,766
	11/14/2017	232,628
	11/30/2017	125,302
	11/30/2017	142,357
Administrative expenses for the year 2017		1,167,914
Ending balance year 2017		108,257,584
Administrative expenses for the year 2016	Q	1,209,038

(9) Financial interest

The income generated during the period from January 1 to December 31, 2017, is outlined below:

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

	2017		2016	
Interest on investment placement	Q	6,010,684	Q	7,925,054
Bank interest		154,829		-
	Q	6,165,513	Q	7,925,054

(10) Other income

The other income generated from January 1 to December 31, is described below:

	2017		2016	
Refund contributions to patrimony	Q	43,821	Q	661,647
	Q	43,821	Q	661,647

The amount corresponding to 2016 was adjusted by the Bank to the financial statements for 2017.

(11) Income Tax

The Trust is registered in the Simplified Optional Regime on Income from Profitable Activities of the Income Tax. The determination of the Income Tax as of December 31 is outlined below, and is based mainly on "Capital Income", whose tax is withheld at the source:

	2017		2016	
Interest received on investments	Q	6,010,684	Q	7,925,054
Interest capitalized on Debt Service account		154,829		-
Taxable income		6,165,513		7,925,054
ISR applicable to 10%	Q	616,557	Q	792,506

In accordance with the current tax legislation, the right of the tax authorities to review the income tax affidavits lapses four years from the date on which the tax return should have been filed. The income tax return for the year ended December 31, 2017, has not been reviewed by the tax authorities and as of this date there is no knowledge of any revision in process.

NOTES TO FINANCIAL STATEMENTS

Fideicomiso Guatemala TFCA

As of December 31, 2017

(12) Results of operations in foreign currency

For the operations corresponding to the restatement of the balances in foreign currency in dollars, losses for Q1,246,603 and gains for Q1,045,041 were produced during 2017 and 2016, respectively. The result comes from applying the average exchange rate published by the Central Bank of Guatemala as of December 31 of each year.

(13) Subsequent events

We are not aware of any subsequent event which may have taken place between the date of the financial statements and the date of their authorization by Management, which requires a modification of the numbers presented in the authorized financial statements.

Agreement	Executing organization	Title of the project	Project amount	Total executed as of 12/31/2017	% Executed 2017	Disbursements made during 2017
FCA 001-2015	FUNDAECO	Protection and Sustainable Management of environmental goods and services the springs Protection Reserve Cerro Alux and support financial sustainability.	Q 1,999,914	Q 912,549	46%	Q 536,611
FCA 001-2016	CARE	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.	2,488,349	792,157	32%	1,057,400
FCA 002-2016	HELVETAS	Conservation and development in the Western Highlands of Guatemala.	2,438,823	519,701	21%	596,081
FCA 003-2016	FUNDAECO	Ecological restoration for connectivity in the Selegua and Ixcán basins, Huehuetenango.	2,500,000	904,572	36%	1,059,635
FCA 004-2016	Wildlife Conesation Society	Partnerships to improve governance in highly threatened areas in the Multiple Use Zone, Maya Biosphere Reserve.	2,497,439	1,220,795	49%	1,148,088
FCA 005-2016	ACODIHUE	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.	2,293,118	717,783	31%	841,084
FCA 006-2016	Fundación Defensores de la Naturaleza	Biodiversity conservation and participatory management in the sustainable use of natural resources in 8 sub-basins of the Sierra de las Minas Biosphere Reserve.	2,471,461	356,887	14%	400,260
FCA 007-2016	CATIE	Territorial management for the conservation and sustainable management of the Acatenango-Fuego volcanic complex.	2,412,031	746,405	31%	680,208
FCA 008-2016	Asociación Vivamos Mejor	Conservation and restoration of tropical forests in the Bio-Cultural Corridor and Sustainable Development Zunil-Atitlán-Balam Juyú.	2,496,480	294,812	12%	490,876
Balance forward						6,810,243

Agreement	Executing organization	Title of the project	Project amount	Total executed as of 12/31/2017	% Executed 2017	Disbursements made during 2017
Incoming Balance						6,810,243
FCA 009-2016	Asociación Balam	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.	2,382,700	909,525	38%	976,907
FCA 010-2016	Coop. Integral de comercialización Carmelita	Management of natural resources for the consolidation of integral management in the concessionary process of the Carmelita Management Unit.	2,500,000	1,105,023	44%	749,675
TOTAL DISBURSEMENTS FCA PROJECTS 2017						Q 8,536,825
Small donations program						
PPD/FCA 001-2016	ASOCUCH	Regional Subprogramme	Q 3,000,000	Q 1,434,325	48%	Q 1,065,000
PPD/FCA 002-2016	TIKONEL	Regional Subprogramme	3,000,000	1,203,209	40%	1,500,000
PPD/FCA 003-2016	ASOPROGAL	Regional Subprogramme	3,000,000	1,544,495	51%	1,065,000
PPD/FCA 004-2016	Fundación Naturaleza para la Vida	Regional Subprogramme	3,000,000	85,932	3%	1,500,000
PPD/FCA 005-2016	ADIPO	Regional Subprogramme	3,000,000	67,591	2%	1,612,500
TOTAL DISBURSEMENTS SMALLGRANTS PROGRAM DONATIONS PPD/FCA FOR THE YEAR 2017						6,742,500
TOTAL PPD/FCA DISBURSEMENTS FOR THE YEAR 2017						Q 15,279,325

Report of the Independent Auditor on compliance with contractual terms

Messrs
Oversight Committee of
**Fondo Para la Conservación de Bosques
Tropicales - FCA and Board of Directors of
Fundación para la Conservación de los
Recursos Naturales y Ambiente en Guatemala - FCG**
Guatemala City

We have audited the financial statements of Programa Fondo para la Conservación de Bosques Tropicales del **Fideicomiso Guatemala - TFCA** (hereinafter the "Trust"), established at Banco G&T Continental, which includes the Statements of Financial Situation as of December 31st. 2017, as well as the corresponding Statements of Comprehensive Activities, Trust Patrimony Movement and Cash Flow for the year ending on that date. The Program is managed by the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG. We have issued our Report on February 28, 2018 in which we express an unqualified opinion.

Compliance with the terms of the Agreement, laws and regulations applicable to the TRUST is the responsibility of the Trustee's Administration and the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG.


Regarding our audit, we examine compliance with the accounting and financial contractual conditions established in the Deed of Constitution of the TRUST and its regulatory provisions and other Laws and Regulations applicable to the operations of the TRUST, according to Notes 7 and 8 to the financial statements for the year ended December 31, 2017.

We perform our audit in accordance with International Standards on Auditing (NIAS) applicable to compliance reviews of contractual clauses. However, our objective was not to express an opinion on general compliance with those clauses. Therefore, we do not express such an opinion.

We also perform TRUST compliance tests with certain terms of the Agreement. An audit includes examining appropriate evidence on the basis of selective tests. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the Programa Fondo para la Conservación de Bosques Tropicales administered by the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG, complied, with regard to the most relevant aspects, with the provisions of the Forest Conservation Agreement referred to in the preceding paragraphs for the year ended December 31, 2017.

Our report was made to provide information to the Oversight Committee of the Programa Fondo para la Conservación de Bosques Tropicales and the 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 its distribution will not be restricted.



Gilmar D. Barrera Arenales
Public Accountant and Auditor
Collegiate No. 677

Guatemala, February 28, 2018

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Report of the Independent Auditor on compliance with the terms of the Forest Conservation Agreement, regarding the granting of donations, Project Management and compliance with the terms of the Donation Agreement by the Recipients of donations

Messrs
Oversight Committee of
**Fondo Para la Conservación de Bosques
Tropicales - FCA and Board of Directors of
Fundación para la Conservación de los
Recursos Naturales y Ambiente en Guatemala - FCG**
Guatemala City

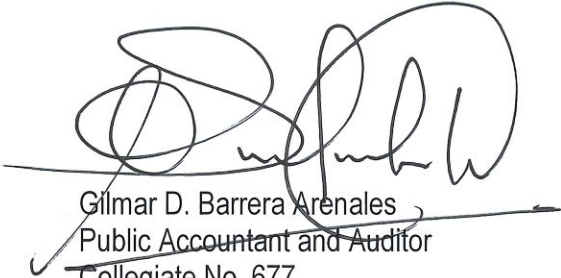
We have audited the financial statements of Programa Fondo para la Conservación de Bosques Tropicales del **Fideicomiso Guatemala - TFCA** (hereinafter the "Trust"), which includes the Statements of Financial Situation as of December 31st. 2017, as well as the corresponding Statements of Comprehensive Activities, Trust Patrimony Movement and Cash Flow for the year ending on that date. The Program is managed by the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG. We have issued our Report on February 28, 2018 in which we express an unqualified opinion.

The Project is managed by the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG and in relation to section 5 of the Tropical Forest Conservation Agreement regarding the granting of donations, administration and monitoring of projects (section 5.2. 6 Use of Donations), the fulfillment of the execution of donations in accordance with the terms of the Donation Agreement by the recipients of donations, according to what is indicated in note 8 to the financial statements during the year ended on December 31st. 2017.

We perform our audit in accordance with International Standards on Auditing (NIAS) applicable to compliance reviews of contractual clauses. However, our objective was not to express an opinion on general compliance with those clauses. Therefore, we do not express such an opinion.

In our opinion, the Programa Fondo para la Conservación de Bosques Tropicales administered by the Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG, complied, with regard to the most relevant aspects, with the provisions of the Forest Conservation Agreement referred to in the preceding paragraphs for the year ended December 31, 2017.

Our report was made to provide information to the Oversight Committee of the Programa Fondo para la Conservación de Bosques Tropicales and the 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 its distribution will not be restricted.



Gilmar D. Barrera Arenales
Public Accountant and Auditor
Collegiate No. 677

Guatemala, February 28, 2018

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ACCOUNTING CERTIFICATION

Messrs
Oversight Committee of
**Fondo Para la Conservación de Bosques
Tropicales - FCA and Board of Directors of
Fundación para la Conservación de los
Recursos Naturales y Ambiente en Guatemala - FCG**
Guatemala City

We issue this Certification on the reasonableness of the management of funds, accounting record and budget of the **TFCA Administrative Expenses Account** identified with the No.066-0009301-3 of Banco G&T Continental, S.A., of the **TFCA Grants Account** identified with the No.066-0009302-1 of Banco G&T Continental, S.A. and of the account FCG - Reserve Account - TFCA **identified with** No.66-0015478-1 under the responsibility of the Administrator **Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG**. Those funds correspond to the complementary information shown in ANNEX I, for the projects that were financed with the funds of the TRUST during the year ended December 31, 2017.

This certification is only for information of the Oversight Committee of the Program "Fund for the Conservation of Tropical Forests - FCA" and Foundation for the Conservation of Natural Resources and Environment in Guatemala - FCG. However, once this report is distributed, it is a matter of public interest and its distribution will not be restricted.


Gilmar D. Barrera Arenales
Public Accountant and Auditor
Collegiate No. 677

Guatemala, February 28, 2018

 an independent member of
BAKER TILLY
INTERNATIONAL

Santos, Barrera & Asociados
CONTADORES PÚBLICOS Y AUDITORES