

**FIDEICOMISO GUATEMALA TFCA**  
Financial Statements  
Independent Auditor's Report  
As of December 31, 2018

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## Independent Auditor's Report

To Oversight Committee

**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**

### **Opinion**

We have audited the attached financial statements of Fondo para la Conservación de Bosques Tropicales del Fideicomiso Guatemala - TFCA (hereinafter called "TRUST"), that include the Statements of Balance Sheets as of December 31, 2018, as well as the corresponding Statements of Activities, Changes of Equity, 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 present reasonably, in all important aspects, the financial situation of the TRUST as of December 31, 2018; as well as the result of its activities and cash flows for the year ended on that date, 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).

### **Basis for our Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the TRUST, in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guatemala and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Paragraph of other issues**

Financial Statements as of December 31, 2017, were audited by other auditors; whose report, dated February 28, 2018, presents an unqualified opinion (clean opinion).

Our audit was conducted for the purpose of having an opinion on the 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, 2018, corresponding to the fourth cycle of operations (see Annex I), is presented to facilitate the additional analysis of the financial statements.

## **Responsibility of the Management and those responsible of the trust on the financial statements**

The Trustee of the Trust is responsible for the preparation and reasonable presentation of attached financial statements 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), and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

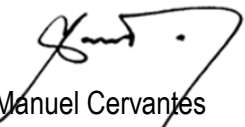
In preparing the financial statements, the management of the Trust is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Trust or to cease operations, or have no other more realistic alternatives to do so.

Those in charge of the administration of the entity are responsible for supervising the process of financial statements of the Trust.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statements.

A more detailed description of our responsibilities in relation to the audit of the financial statements is included in Appendix "A" of this report. This description is an integral part of this audit report.

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

Manuel Cervantes & Asociados, S.C.  
Auditores y Consultores

Guatemala, August 2, 2019

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Balance Sheets

As of December 31

(Amounts expressed in Quetzals)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Availability (note 4)	3,461,754	6,560,754
Receivable interest (note 5)	1,072,838	796,557
Investment fixed-term deposits (note 6)	98,491,726	96,691,328
<b>Total assets</b>	<b><u>103,026,318</u></b>	<b><u>104,048,639</u></b>
<b>EQUITY</b>		
Permanently restricted	61,980,227	68,369,113
Temporarily restricted	41,046,091	35,679,526
<b>EQUITY</b>	<b><u>103,026,318</u></b>	<b><u>104,048,639</u></b>
<b>TOTAL EQUITY</b>	<b><u>103,026,318</u></b>	<b><u>104,048,639</u></b>

The attached notes are an integral part of the financial statements

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Statements of Activities

For the years ended on December 31

(Amounts expressed in Quetzals)

Description	2018			2017		
	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total
<b>INCOME</b>						
Financial interests (note 9)	5,892,031	-	5,892,031	6,165,513	-	6,165,513
Contributions from the Ministry of Public Finance (note 7)	-	8,057,186	8,057,186	-	11,679,138	11,679,138
Other income	-	140,746	140,746	-	43,821	43,821
<b>Total income</b>	<b>5,892,031</b>	<b>8,197,932</b>	<b>14,089,963</b>	<b>6,165,513</b>	<b>11,722,959</b>	<b>17,888,472</b>
<b>ADMINISTRATIVE EXPENSES</b>						
Administrative expenses	889	-	889	-	-	-
Transfers 10% administrative expenses (note 8)	-	805,718	805,718	-	1,167,914	1,167,914
Donations for projects (note 8)	-	13,781,100	13,781,100	-	15,279,325	15,279,325
<b>Total expenses</b>	<b>889</b>	<b>14,586,818</b>	<b>14,587,707</b>	<b>-</b>	<b>16,447,239</b>	<b>16,447,239</b>
Profits before income tax	5,891,142	(6,388,886)	(497,744)	6,165,513	(4,724,280)	1,441,233
(-) Income Tax (note 10)	593,343	-	593,343	616,557	-	616,557
Excess income over expenses	<b>5,297,799</b>	<b>(6,388,886)</b>	<b>(1,091,087)</b>	<b>5,548,956</b>	<b>(4,724,280)</b>	<b>824,676</b>
<b>OTHER RESULTS</b>						
Result from operations in foreign currency	68,766	-	68,766	(1,246,603)	-	(1,246,603)
<b>CHANGES OF NET ACTIVITIES OF THE YEAR</b>	<b>5,366,565</b>	<b>(6,388,886)</b>	<b>(1,022,321)</b>	<b>4,302,353</b>	<b>(4,724,280)</b>	<b>(421,927)</b>

The attached notes are an integral part of the financial statements

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Statements of Change of Equity  
For the years ended on December 31  
(Amounts expressed in Quetzals)

	2018	2017
<b>PERMANENTLY RESTRICTED</b>		
<b>CONTRIBUTIONS TO THE TRUST</b>		
Initial balance (Note 7)	176,626,697	164,903,738
Contributions from the Ministry of Public Finance (Note 7)	8,057,186	11,679,138
Accumulated contributions	184,683,883	176,582,876
Other income	140,746	43,821
Ending balance	184,824,629	176,626,697
<b>DEDUCTIONS FROM THE TRUST EQUITY</b>		
Initial balance (note 8)	(108,257,584)	(91,810,345)
Transfers made, 10% administrative expenses (note 8)	(805,718)	(1,167,914)
Donations made for projects (note 8)	(13,781,100)	(15,279,325)
Ending balance	(122,844,402)	(108,257,584)
<b>TOTAL PERMANENTLY RESTRICTED</b>	<b>61,980,227</b>	<b>68,369,113</b>
<b>TEMPORARILY RESTRICTED ACCUMULATED ACTIVITIES</b>		
Activities accumulated through investments	35,679,526	31,377,173
Net activities of the year	5,366,565	4,302,353
Ending balance	<b>41,046,091</b>	<b>35,679,526</b>
<b>TOTAL PERMANENTLY RESTRICTED EQUITY</b>	<b>103,026,318</b>	<b>104,048,639</b>

The attached notes are an integral part of the financial statements

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Cash Flow Statements

For the years ended on December 31

(Amounts expressed in Quetzals)

Description	2018	2017
<b>CASH FLOWS FROM OPERATIONAL ACTIVITIES</b>		
Net activities during the year	5,891,142	6,165,513
<b>Net changes in assets and liabilities</b>		
Cash received from contributions (note 7)	8,057,186	11,679,138
Other income	140,746	43,821
Donation for project execution (note 8)	(13,781,100)	(15,279,325)
Disbursements for administrative expenses (note 8)	(805,718)	(1,167,914)
Investment additions	(1,800,398)	(495,407)
Receivable interest	(276,281)	(215,533)
Operating expenses in foreign currency	68,766	(1,246,603)
Income tax (note 10)	(593,343)	(616,557)
<b>Net cash generated from operating activities</b>	<b>(3,099,000)</b>	<b>(1,132,867)</b>
Net change in cash during the year	(3,099,000)	(1,132,867)
Cash at the beginning of the year	6,560,754	7,693,621
<b>Cash at the end of the year</b>	<b>3,461,754</b>	<b>6,560,754</b>

The attached notes are an integral part of the financial statements



# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

## 1. HISTORY AND OPERATIONS

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### Brief history of the Trust

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: 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 use of natural resources, environmental management 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 grantees. They will be trustees up to the amount of the donation and only for the term in which they maintain the status quo as the grantees, 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).

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

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 presented by the grantees, 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 Endowment 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) Asociación de Investigación y Estudios Sociales (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.

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 debt swap agreements.

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

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)

## 2. SIGNIFICANT ACCOUNTING POLICIES

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### Presentation bases

Financial statements have been prepared according to the 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), but are acceptable for the Trust Management.

#### 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.

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

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.

## **c) Permanently restricted trust equity**

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 Guatemala through the 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) Investments**

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

## **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.

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

## 3. CURRENCY UNIT AND EXCHANGE REGIME

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Financial statements are expressed in Quetzals (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 in force since May 1, 2001.

The Banco de Guatemala, an entity authorized by the Monetary Board to execute monetary policies, calculates and publishes the reference exchange rate of Quetzal daily with respect to the Dollar of the United States of America, to be used in the settlement of tax obligations or others that involve payments by the State or the State and its entities, as well as for the resolution of conflicts in the administrative and jurisdictional sphere. As of December 2, 2006, the use of a single exchange rate according to resolution JM-126-2006, issued by the Monetary Board, became effective. As of December 31, 2018, and 2017 the reference exchange rate is Q7.73695 and Q7.34477 for US\$1.00. There are no exchange restrictions in Guatemala for capital repatriation, payment of debts or any other purpose. Any amount in foreign currency may be bought and sold in banks of the system, or in authorized exchange facilities.

## 4. AVAILIBILITIES

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The cash balances as of December 31, 2018 and 2017 are integrated as follows: (figures expressed in Quetzals):

<b>Description</b>	<b>2018</b>	<b>2017</b>
Banco G&T Continental 001-0036607-0 Quetzals	3,322,802	6,510,982
Banco G&T Continental 01-5801697-5 Dollars	345	751
Banco Industrial 006-019377-8 Dollars	138,607	49,021
<b>TOTAL</b>	<b>3,461,754</b>	<b>6,560,754</b>

## 5. RECEIVABLE INTEREST

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

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

Description	2018	2017
<b>Investments in dollars</b>		
Banco Promerica, certificate No. 9677	399,232	-
Banco Agromercantil, certificate No. 8270	327,577	311,356
Inter Banco, certificate No. 62817	147,396	1,607
Inter Banco, certificate No. 63031	25,175	-
Banco Industrial, certificate No. 27153	8,149	8,217
Inter Banco, certificate No. 62821	6,126	-
Banco Promerica, certificate No. 8513	-	394,358
Banrural, certificate No. 56718	-	15,964
<b>Subtotal</b>	<b>913,655</b>	<b>731,502</b>
<b>Investments in quetzals</b>		
Banco Agromercantil, certificate No. 49572	55,757	-
Banrural, certificate No. 815226	54,749	33,069
Banrural, certificate No. 833128	19,119	-
Inter Banco, certificate No. 60341	16,742	26,549
Banrural, certificate No. 854111	12,816	-
Citi Bank, certificate No. 166691	-	5,437
<b>Subtotal</b>	<b>159,183</b>	<b>65,055</b>
<b>TOTAL</b>	<b>1,072,838</b>	<b>796,557</b>

## 6. INVESTMENTS

As of December 31, investment balances are integrated as follows: (figures expressed in Quetzals):

Description	2018	2017
<b>Investment in quetzals</b>		
Investment in fixed-term deposit No. 402610 in Banco de los Trabajadores, for 365 days, with maturity date May 4, 2019, at an annual interest rate of 8.25% payable monthly.	13,048,286	-
Investment in fixed-term deposit No. 854111 in Banco de Desarrollo Rural, for 365 days, with maturity date December 20, 2019, at an annual interest rate of 6.75% payable monthly.	7,000,000	-
Investment in fixed-term deposit No. 367700 in Banco G&T Continental, for 365 days, with maturity date May 11, 2019, at an annual interest rate of 6.75%.	5,250,000	-
<b>Balance forward</b>	<b>25,298,286</b>	<b>-</b>

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

Description	2018	2017
<b>Incoming balance</b>	<b>25,298,286</b>	-
Investment in fixed-term deposit No. G-49572 in Banco Agromercantil, for 360 days, with maturity date October 13, 2019, at an annual interest rate of 6.75%.	5,000,000	-
Investment in fixed-term deposit No. 150417 in Banco Promerica, for 365 days, with maturity date December 21, 2019, at an annual interest rate of 6.75%.	5,000,000	-
Investment in fixed-term deposit No. 60341 in Inter Banco, for 360 days, with maturity date December 5, 2019, at an annual interest rate of 7.00% payable monthly.	4,850,000	-
Investment in fixed-term deposit No. 408410 in Banco de los Trabajadores, for 365 days, with maturity date December 26, 2019, at an annual interest rate of 7.00%.	4,500,000	-
Investment in fixed-term deposit No. 833128 in Banco de Desarrollo Rural, for 365 days, with maturity date May 31, 2019, at an annual interest rate of 7.25% payable monthly.	3,450,000	-
Investment in fixed-term deposit in Banco de los Trabajadores No. 374187 with maturity date May 4, 2018, at an annual interest rate 8.50% payable monthly.	-	13,048,285
Investment in fixed-term deposit in Banco de Desarrollo Rural, S. A. (Banrural) No. 815226 with maturity date December 20, 2018, at an annual interest rate of 7% payable monthly.	-	7,000,000
Investment in fixed-term deposit in Banco G&T Continental, S. A. No. 318858 with maturity date May 11, 2018, at an annual interest rate 6.75% payable monthly.	-	5,250,000
Investment in fixed-term deposit in Banco de los Trabajadores No. 382065 with maturity date September 24, 2018, at an annual interest rate 8.50% payable monthly.	-	5,000,000
<b>Balance forward</b>	<b>48,098,286</b>	<b>30,298,285</b>

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

Description	2018	2017
<b>Incoming balance</b>	<b>48,098,286</b>	<b>30,298,285</b>
Investment in fixed-term deposit in Banco Promerica No. 146220 with maturity date December 21, 2018, at an annual interest rate of 7% payable monthly.	-	5,000,000
Investment in fixed-term deposit in Inter Banco No. 60341 with maturity date December 10, 2018, at an annual interest rate of 7% payable monthly.	-	4,850,000
Investment in fixed-term deposit in Banco Promerica No. 16691 with maturity date December 26, 2018, at an annual interest rate of 7% interest rate payable monthly.	-	4,500,000
Investment in fixed-term deposit en Banco de Desarrollo Rural, S. A. (Banrural) No. 782002 with maturity date May 31, 2018, at an annual interest rate of 7.5% payable monthly.	-	3,450,000
	<b><u>48,098,286</u></b>	<b><u>48,098,285</u></b>
<b>Investments in US\$ Dollars</b>		
Investment in fixed-term deposit No. 8270 in Banco Agromercantil, for US\$2,868,700 issued on March 18, 2016, with a term of 1080 days, with maturity date March 3, 2019, at an annual interest rate of 5.00% payable at expiration.	22,215,528	21,578,196
Investment in fixed-term deposit No. 9677 in Banco Promerica for US\$1,732,961.68 for 365 days, with maturity date March 20, 2019 at variable annual interest rate of 4.25%, payable at expiration.	12,726,458	-
Investment in fixed-term deposit No. 63031 in Inter Banco for US\$1,038,250.05 for 360 days, with maturity date March 17, 2019, at an annual interest rate of 4.10%.	7,682,603	-
Investment in fixed-term deposit No. 62821 in Inter Banco for US\$686,900, for 365 days, with maturity date December 27, 2019, at an annual interest rate of 4.25%.	5,068,620	-
<b>Balance forward</b>	<b><u>47,693,209</u></b>	<b><u>21,578,196</u></b>



# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements

As of December 31, 2018

Description	2018	2017
<b>Incoming balance</b>	<b>47,693,209</b>	<b>21,578,196</b>
Investment in fixed-term deposit, account No. 31-006-122984-8, title No. 27153 in Banco Industrial for US\$367,454.15, for 365 days, with maturity date May 23, 2019 at an annual interest rate of 3.75 %, payable at maturity.	2,700,231	-
Investment in fixed-term deposit in Banco Promerica, S. A. No. 8513 for US\$1,664,800, with maturity date March 16, 2018, accruing 4.5% interest rate payable at maturity.	-	12,522,530
Investment in fixed-term deposit in Banco de Desarrollo Rural, S. A. (Banrural) No. 56718 for US\$1,038,250, with maturity 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 maturity date December 27, 2018, accruing 4.25% interest rate payable at maturity.	-	3,924,950
Investment in fixed-term deposit in Banco Industrial, S. A. No. 27153 por US\$366,622, with maturity date May 23, 2018, accruing 4% interest rate payable monthly.	-	2,757,710
	<b>50,393,440</b>	<b>48,593,043</b>
<b>TOTAL</b>	<b>98,491,726</b>	<b>96,691,328</b>

## 7. PERMANENTLY RESTRICTED TRUST EQUITY

As of December 31, these are formed as follows: (figures expressed in Quetzals):

Description	2018	2017
Initial balance of the period	176,626,697	164,903,738
<u>Payments from the Ministry of Public Finance</u>		
January 29, 2018	834,268	
April 24, 2018	1,262,823	
April 20, 2018	2,344,816	
<b>Balance forward</b>	<b>4,441,907</b>	<b>164,903,738</b>

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

Description	2018	2017
<b>Incoming balance</b>	<b>4,441,907</b>	<b>164,903,738</b>
May 17, 2018	1,444,406	
July 31, 2018	849,840	
October 24, 2018	1,321,033	
	<b>8,057,186</b>	
Contributions from the Ministry of Finance of the year 2017		11,679,138
Return account for accumulation of interest and reimbursement of projects	140,746	43,821
<b>TOTAL</b>	<b>184,824,629</b>	<b>176,626,697</b>

## 8. DEDUCTIONS FROM THE TRUST EQUITY PERMANENTLY RESTRICTED

As of December 31, these are formed as follows: (figures expressed in Quetzals):

Description	2018	2017
Initial balance of the period	<b>108,257,584</b>	<b>91,810,345</b>
<u>Donations for FCA projects</u>		
January 19, 2018	1,219,183	
March 12, 2018	830,462	
March 12, 2018	1,065,000	
March 12, 2018	2,186,281	
April 9, 2018	476,540	
April 18, 2018	322,500	
May 7, 2018	607,863	
May 23, 2018	761,694	
June 14, 2018	663,898	
June 22, 2018	404,675	
June 28, 2018	507,176	
July 20, 2018	1,065,000	
August 8, 2018	522,450	
August 14, 2018	1,426,828	
August 31, 2018	633,865	
October 2, 2018	357,405	
October 18, 2018	407,780	
December 10, 2018	322,500	
<b>Total donations for the year 2018 (see Annex I)</b>	<b>13,781,100</b>	
<b>Balance forward</b>	<b>122,038,684</b>	<b>91,810,345</b>

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

Description	2018	2017
<b>Incoming balance</b>	<b>122,038,684</b>	<b>91,810,345</b>
<b>Total donations for the year 2017</b>		<b>15,279,325</b>
<b>Administrative expenses corresponding to 10% of the year</b>		
February 2, 2018	83,427	
April 24, 2018	126,282	
April 24, 2018	234,481	
May 29, 2018	144,441	
August 8, 2018	84,984	
November 6, 2018	132,103	
<b>Administrative expenses for the year 2018</b>	<b>805,718</b>	
<b>Administrative expenses for the year 2017</b>		<b>1,167,914</b>
<b>TOTAL</b>	<b>122,844,402</b>	<b>108,257,584</b>

## 9. FINANCIAL INTEREST

The income generated during the period from January 1 to December 31, 2018 is outlined below: (figures expressed in Quetzals):

Description	2018	2017
Interest received on investments	5,892,031	6,010,684
Interest capitalized on Debt Service account	-	154,829
<b>TOTAL</b>	<b>5,892,031</b>	<b>6,165,513</b>

## 10. 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: (figures expressed in Quetzals):

Description	2018	2017
Interest received on investments	5,892,031	6,010,684
Interest capitalized on Debt Service account	-	154,829
Taxable income	5,892,031	6,165,513
<b>ISR applicable to 10%</b>	<b>593,343</b>	<b>616,557</b>

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

Notes to the financial statements  
As of December 31, 2018

## **11. EXCHANGE DIFFERENTIAL**

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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.

## **12. SUBSEQUENT EVENTS**

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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 independent audit's report, requiring the modification of the figures presented in the financial statements.



## **Report of the Independent Auditor on Compliance with contractual terms**

To Oversight Committee  
**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**

We have audited the financial statements of Fondo para la Conservación de Bosques Tropicales, which operates under a Trust (Fideicomiso Guatemala TFCA) established in the Banco G&T Continental, which includes the Balance Sheets as of December 31, 2018, as well as the corresponding Statements of Activities, Changes of Equity 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 and we have issued our report on August 2, 2019.

Regarding our audit, we examine the 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, for the year ended December 31, 2018.

Compliance with the terms of the agreement, laws and regulations applicable to Fondo para la Conservación de Bosques Tropicales (Fideicomiso Guatemala TFCA), is responsibility of the Trust 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.

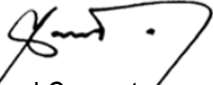
Also, we perform an assessment of compliance with legal aspects of financial accounting, established in the above-mentioned contract and other applicable laws and regulations.

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

In our opinion, the Trust Management 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 of the Trust Management of Fondo para la Conservación de Bosques Tropicales (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.



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

Manuel Cervantes & Asociados, S.C.  
Auditores y Consultores

Guatemala, August 2, 2019



**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 Grantees**

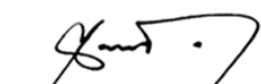
To Oversight Committee  
**Fondo para la Conservación de Bosques Tropicales –  
FCA and Board of Directors of Fundación para la  
Conservación de los Recursos Naturales y Ambiente  
en Guatemala - FCG**

We have audited the compliance of the matters established by the program **Fondo para la Conservación de los Bosques Tropicales FCA**, 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 the grantees.

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 grantees 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 Program "Fondo para la Conservación de los Bosques Tropicales – FCA" 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, 2018.

This report was prepared for information of the Oversight Committee of the Program “Fondo para la Conservación de los Bosques Tropicales - FCA” 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.



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

Manuel Cervantes & Asociados, S.C.  
Auditores y Consultores

Guatemala, August 2, 2019





## ACCOUNTING CERTIFICATION

To Oversight Committee  
**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**

We issue this Certification on the reasonableness of the management of funds, accounting records and budget of the **account FCG - Administrative Expenses Account - FCA** identified with the No. 66-0009301-3 of Banco G&T Continental, S. A., of the **account FCG - Grants Account - TFCA** identified with the No. 66- 0009302-1, of Banco G&T Continental, S. A. and of the **account FCG – Reserve account – TFCA** identified with No. 66-0015478-1 of Banco G&T Continental Bank S. A., under the responsibility of the Administrator, **Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala - FCG**, for the year ended December 31, 2018.

This certification is only for information to the Oversight Committee of the Program "Fondo para la Conservación de Bosques Tropicales – FCA" and "Fundación para la Conservación de los Recursos Naturales y Ambiente en Guatemala – FCG".

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

Manuel Cervantes & Asociados, S.C.  
Auditores y Consultores

Guatemala, August 2, 2019

## FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

### ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

As of December 31, 2018

Agreement	Grantee	Title of the project	Project amount Q	Disbursements made during 2018
FCA 001-2015	FUNDAECO	Protection and Sustainable Management of environmental goods and services of the springs Protection Reserve Cerro Alux and support to its financial sustainability.	1,999,914	244,486
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	1,058,400
FCA 002-2016	HELVETAS	Conservation and development in the Western Highlands of Guatemala.	2,438,823	1,180,962
FCA 003-2016	FUNDAECO	Ecological restoration for connectivity in the Selegua and Ixcán basins, Huehuetenango.	2,500,000	1,015,643
FCA 004-2016	Wildlife Conservation Society	Partnerships to improve governance in highly threatened areas in the Multiple Use Zone, Maya Biosphere Reserve.	2,497,439	663,898
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	704,374
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	957,285
FCA 007-2016	CATIE	Territorial management for the conservation and sustainable management of the Acatenango-Fuego volcanic complex.	2,412,031	1,139,916
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	818,541
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 among government institutions, community groups and organized civil society.	2,382,700	833,945
		<b>BALANCE FORWARD</b>		<b>8,617,450</b>

# FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES (FIDEICOMISO GUATEMALA TFCA)

## ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

As of December 31, 2018

Agreement	Executing organization	Title of the project	Project amount Q	Disbursements made during 2018
		<b>INCOMING BALANCE</b>		<b>8,617,450</b>
FCA 010-2016	Cooperativa 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	1,001,150
<b>TOTAL DISBURSEMENTS FCA PROJECTS 2018</b>				<b>9,618,600</b>
<b>Small donations program PPD/FCA</b>				
PPD/FCA 001	ASOCUCH	Program to establish community participation as a fundamental axis for the sustained use of ecosystems / decentralization of the FCA for the implementation of regional subprograms of small donations to Local Base Organizations (OLB) for grants of less than Q300,000	3,000,000	322,500
PPD/FCA 002	TIKONEL		3,000,000	1,387,500
PPD/FCA 003	ASOPROGAL		3,000,000	322,500
PPD/FCA 004	Fundación Naturaleza para la Vida		3,000,000	1,065,000
PPD/FCA 005	ADIPO		3,000,000	1,065,000
<b>TOTAL DISBURSEMENTS SMALLGRANTS PROGRAM DONATIONS PPD/FCA DEL AÑO 2018</b>				<b>4,162,500</b>
<b>TOTAL DISBURSEMENTS FOR THE YEAR 2018</b>				<b>13,781,100</b>

### 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, accounting records, 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) Fundación para el Ecodesarrollo y la Conservación (FUNDAECO)
- b) CARE Guatemala
- c) Centro Agronómico Tropical de Investigación y Enseñanza (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.

**FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES  
(FIDEICOMISO GUATEMALA TFCA)  
APPENDIX "A" AUDIT PROCEDURES  
As of December 31, 2018**

As part of an audit in accordance with International Standards on Auditing (ISA), the auditor exercises professional judgment and maintains professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform the audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability. To continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, the structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those responsible for the trust regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**FONDO PARA LA CONSERVACIÓN DE BOSQUES TROPICALES  
(FIDEICOMISO GUATEMALA TFCA)  
APPENDIX "A" AUDIT PROCEDURES  
As of December 31, 2018**

- We also provide to those responsible of the trust with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
  
- Among the matters communicated to those responsible for the trust, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.