

FIDEICOMISO GUATEMALA TFCA
Financial Statements
Independent Auditor's Report
As of December 31, 2019 and 2018

CONTENT INDEX

	Página
I. REPORT OF THE INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Balance Sheets	4
Statements of Activities	5
Statements of Changes in Equity	6
Cash Flow Statements	7
Notes to the Financial Statements	8
II REPORT ON COMPLIANCE WITH CONTRACTUAL CLAUSES OF THE INDEPENDENT AUDITORS	
Independent Auditor's Report	20
III REPORT ON COMPLIANCE WITH THE TERMS OF THE AGREEMENT	
Independent Auditor's Report	22
IV ACCOUNTING CERTIFICATE	24
V ANNEX I DETAIL OF PROJECTS FINANCED BY FCA	25
VI APPENDIX "A" AUDIT PROCEDURES	28



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, 2019 and 2018, as well as the corresponding Statements of Activities, Changes of Equity, and Cash Flow during the years ended on those dates; 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, 2019 and 2018; as well as the result of its activities and cash flows for the years ended on those dates, 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

- 1) 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, 2019, corresponding to the fourth and fifth cycle of operations (see Annex I), is presented to facilitate the additional analysis of the financial statements.

- 2) Emphasis is made on the effects that subsequent events occurred mentioned according to Note No. 12 may have to the financial statements for the period ended at December 31, 2019, which describes the limitations on economic activities at the National level, occurred in the months of March to May 2020, due to the worldwide pandemic of COVID-19, and for which the Government of the Republic of Guatemala issued Government Decrees 5-2020, 6-2020 and 9-2020, for the prevention, containment and response to this health situation.

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 6, 2020

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

Balance Sheets

As of December 31

(Amounts expressed in Quetzals)

	<u>2019</u>	<u>2018</u>
ASSETS		
Availability (note 4)	2,711,066	3,461,754
Receivable interest (note 5)	812,946	1,072,838
Investment fixed-term deposits (note 6)	87,142,133	98,491,726
Total assets	<u>90,666,145</u>	<u>103,026,318</u>
EQUITY		
Permanently restricted	45,398,404	61,980,227
Temporarily restricted	45,267,741	41,046,091
EQUITY	<u>90,666,145</u>	<u>103,026,318</u>
TOTAL EQUITY	<u>90,666,145</u>	<u>103,026,318</u>

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	2019			2018		
	Temporarily restricted	Permanently restricted	Total	Temporarily restricted	Permanently restricted	Total
INCOME						
Financial interests (note 9)	4,707,813	-	4,707,813	5,892,031	-	5,892,031
Payments from the Ministry of Public Finance (note 7)	-	1,748,380	1,748,380	-	8,057,186	8,057,186
Other income	-	2,153,770	2,153,770	-	140,746	140,746
Total income	4,707,813	3,902,150	8,609,963	5,892,031	8,197,932	14,089,963
ADMINISTRATIVE EXPENSES						
Administrative expenses	38	-	38	889	-	889
Transfers 15% administrative expenses (note 8)	-	2,292,643	2,292,643	-	805,718	805,718
Donations for projects (note 8)	-	18,191,330	18,191,330	-	13,781,100	13,781,100
Total expenses	38	20,483,973	20,484,011	889	14,586,818	14,587,707
Profits before income tax	4,707,775	(16,581,823)	(11,874,048)	5,891,142	(6,388,886)	(497,744)
(-) Income Tax (note 10)	470,978	-	470,978	593,343	-	593,343
Excess income over expenses	4,236,797	(16,581,823)	(12,345,026)	5,297,799	(6,388,886)	(1,091,087)
OTHER RESULTS						
Result from operations in foreign currency	(15,147)	-	(15,147)	68,766	-	68,766
CHANGES OF NET ACTIVITIES OF THE YEAR	4,221,650	(16,581,823)	(12,360,173)	5,366,565	(6,388,886)	(1,022,321)

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)

	2019	2018
PERMANENTLY RESTRICTED		
PAYMENTS TO THE TRUST		
Initial balance (Note 7)	184,824,629	176,626,697
Payments from the Ministry of Public Finance (Note 7)	1,748,380	8,057,186
Accumulated payments	186,573,009	184,683,883
Other income	2,153,770	140,746
Ending balance	188,726,779	184,824,629
DEDUCTIONS FROM THE TRUST EQUITY		
Initial balance (note 8)	(122,844,402)	(108,257,584)
Transfers made, 15% administrative expenses (note 8)	(2,292,643)	(805,718)
Donations made for projects (note 8)	(18,191,330)	(13,781,100)
Ending balance	(143,328,375)	(122,844,402)
TOTAL PERMANENTLY RESTRICTED	45,398,404	61,980,227
TEMPORARILY RESTRICTED ACCUMULATED ACTIVITIES		
Activities accumulated through investments	41,046,091	35,679,526
Net activities of the year	4,221,650	5,366,565
Ending balance	45,267,741	41,046,091
TOTAL PERMANENTLY RESTRICTED EQUITY	90,666,145	103,026,318

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	2019	2018
CASH FLOWS FROM OPERATIONAL ACTIVITIES		
Net activities during the year	4,707,813	5,891,142
Net changes in assets and liabilities		
Cash received from payments (note 7)	1,748,380	8,057,186
Other income	2,153,770	140,746
Donation for project execution (note 8)	(18,191,330)	(13,781,100)
Disbursements for administrative expenses (note 8)	(2,292,346)	(805,718)
Disinvestments and investment additions	11,349,593	(1,800,398)
Operating expenses	(38)	-
Receivable interest	259,595	(276,281)
Operating expenses in foreign currency	(15,147)	68,766
Income tax (note 10)	(470,978)	(593,343)
Net cash generated from operating activities	(750,688)	(3,099,000)
Net change in cash during the year	(750,688)	(3,099,000)
Cash at the beginning of the year	3,461,754	6,560,754
Cash at the end of the year	2,711,066	3,461,754

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, 2019 and 2018

1. HISTORY AND OPERATIONS

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 Forest Conservation Agreement and 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 (the adoption of this last modality authorized by the Oversight Committee by resolution No.001-XXIII-2018, dated December 7, 2018) 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.

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

Notes to the financial statements
As of December 31, 2019 and 2018

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).

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, 2019 and 2018

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 awarded 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 SGP / 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

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 is monthly recorded when it is 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, 2019 and 2018

Likewise, interest from investments in fixed-term certificates of deposit is 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 or 15% of funds awarded to projects, 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, 2019 and 2018

3. CURRENCY UNIT AND EXCHANGE REGIME

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, 2019, and 2018 the reference exchange rate is Q7.69884 and Q7.73695 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. AVAILABILITIES

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

Description	2019	2018
Banco G&T Continental 001-0036607-0 Quetzals	2,340,779	3,322,802
Banco Industrial 006-019377-8 Dollars	192,466	138,607
Banco Industrial 006-019376-0 Quetzals	170,249	-
Banco G&T Continental 01-5801697-5 Dollars	7,572	345
TOTAL	2,711,066	3,461,754

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: (figures expressed in Quetzals):

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

Notes to the financial statements
As of December 31, 2019 and 2018

Description	2019	2018
Investments in dollars		
Banco Agromercantil, certificate No. 8270	657,740	327,577
Banco Industrial, certificate No. 32372	65,238	-
Inter Banco, certificate No. 62821	15,748	6,126
Banco Promerica, certificate No. 9677	-	399,232
Inter Banco, certificate No. 62817	-	147,396
Inter Banco, certificate No. 63031	-	25,175
Banco Industrial, certificate No. 27153	-	8,149
Subtotal	738,726	913,655
Investments in Quetzals		
Banco Promérica, certificate No. 150417	25,490	-
Inter Banco, certificate No. 60341	20,832	16,742
Banrural, certificate No. 879249	17,801	-
Banrural, certificate No. 903440	10,097	-
Banco Agromercantil, certificate No. 49572	-	55,757
Banrural, certificate No. 815226	-	54,749
Banrural, certificate No. 833128	-	19,119
Banrural, certificate No. 854111	-	12,816
Subtotal	74,220	159,183
TOTAL	812,946	1,072,838

6. INVESTMENTS

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

Description	2019	2018
Investments in Quetzals		
Investment in fixed-term deposit No. G-51392 in Banco Agromercantil, S. A., for 365 days, with maturity date May 27, 2020, at an annual interest rate of 6.75%.	10,000,000	-
Investment in fixed-term deposit No. 903440 in Banco de Desarrollo Rural, for 365 days, with maturity date December 21, 2020, at an annual interest rate of 6.50% payable monthly.	7,000,000	-
Balance forward	17,000,000	-

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

Notes to the financial statements
As of December 31, 2019 and 2018

Description	2019	2018
Incoming balance	17,000,000	-
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% payable monthly. This certificate was disinvestment in January 2020.	5,000,000	-
Investment in fixed-term deposit No. 60341 in Inter Banco, for 360 days, with maturity date November 29, 2020, at an annual interest rate of 6.70% payable monthly.	4,850,000	-
Investment in fixed-term deposit No. 430110 in Banco de los Trabajadores, for 365 days, with maturity date December 27, 2020, at an annual interest rate of 6.30%.	4,500,000	-
Investment in fixed-term deposit No. 879249 in Banco de Desarrollo Rural, for 365 days, with maturity date June 1, 2020, at an annual interest rate of 6.75% payable monthly.	3,450,000	-
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
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% payable monthly.	-	5,000,000
Balance forward	34,800,000	35,298,286

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

Notes to the financial statements
As of December 31, 2019 and 2018

Description	2019	2018
Incoming balance	34,800,000	35,298,286
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
	34,800,000	48,098,286
Investments in US dollars		
Investment in fixed-term deposit No. 8270 in Banco Agromercantil, for US\$2,868,700, for 360 days, with maturity date February 28, 2020, at an annual interest rate of 4%.	22,215,529	-
Investment in fixed-term deposit No. 32372 in Banco Industrial, for US\$2,869,500, for 367 days, with maturity date March 29, 2020, at an annual interest rate of 4%.	21,073,241	-
Investment in fixed-term deposit No. 62821 in Inter Banco for US\$845,549, for 365 days, with maturity date December 26, 2020, at an annual interest rate of 4.25%.	6,222,000	-
Investment in fixed-term deposit No. 64693 in Inter Banco for US\$367,454.15, for 365 days, with maturity date June 5, 2020, at an annual interest rate of 4%.	2,831,363	-
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
Balance forward	52,342,133	22,215,528

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

Notes to the financial statements
As of December 31, 2019 and 2018

Description	2019	2018
Incoming balance	52,342,133	22,215,528
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
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
	52,342,133	50,393,440
TOTAL	87,142,133	98,491,726

7. PERMANENTLY RESTRICTED TRUST EQUITY

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

Description	2019	2018
Initial balance of the period	184,824,629	176,626,697
<u>Payments from the Ministry of Public Finance</u>		
January 31, 2019	877,793	-
July 30, 2019	870,587	
January 29, 2018	-	834,268
April 24, 2018	-	1,262,823
April 20, 2018	-	2,344,816
May 17, 2018	-	1,444,406
July 31, 2018	-	849,840
Balance forward	1,748,380	6,736,153

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

Notes to the financial statements
As of December 31, 2019 and 2018

Descripción	2019	2018
Incoming balance	1,748,380	6,736,153
October 24, 2018	-	1,321,033
Payments from the Ministry of Finance	1,748,380	8,057,186
<u>Returns to debt service account</u>		
Return of unused funds	1,200,000	-
Return of interest and reimbursement of projects	953,770	140,746
Returns to debt service account	2,153,770	140,746
TOTAL	188,726,779	184,824,629

8. DEDUCTIONS FROM THE TRUST EQUITY PERMANENTLY RESTRICTED

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

Description	2019	2018
Initial balance of the period	122,844,402	108,257,584
<u>Donations for FCA projects</u>		
January 17, 2019	322,500	
February 20, 2019	365,085	
February 21, 2019	333,273	
March 4, 2019	462,587	
April 4, 2019	381,344	
April 25, 2019	322,500	
June 7, 2019	2,783,174	
June 18, 2019	591,315	
June 26, 2019	369,832	
July 10, 2019	1,314,968	
July 10, 2019	1,441,786	
August 19, 2019	603,700	
August 19, 2019	600,000	
August 27, 2019	600,000	
November 7, 2019	1,699,266	
December 11, 2019	6,000,000	
Total donations for the year 2019	18,191,330	
Total donations for the year 2018		13,781,100
Balance forward	141,035,732	122,038,684

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

Notes to the financial statements
As of December 31, 2019 and 2018

Descripción	2019	2018
Incoming balance	141,035,732	122,038,684
Administrative expenses corresponding to 15% of the year		
February 8, 2019	191,853	
February 20, 2019	191,854	
March 26, 2019	191,853	
April 16, 2019	191,854	
May 23, 2019	191,853	
June 26, 2019	191,854	
July 17, 2019	191,853	
August 27, 2019	191,854	
September 19, 2019	191,853	
October 15, 2019	191,854	
November 20, 2019	191,853	
December 11, 2019	191,854	
Administrative expenses for the year 2019	2,292,643	
Administrative expenses for the year 2018		805,718
TOTAL	143,328,375	122,844,402

9. FINANCIAL INTERESTS

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

Description	2019	2018
Interest received on investments	4,625,199	5,880,717
Interest capitalized on Debt Service account	82,614	11,314
TOTAL	4,707,813	5,892,031

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):

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

Notes to the financial statements
As of December 31, 2019 and 2018

Description	2019	2018
Interest received on investments	4,625,199	5,880,717
Interest capitalized on Debt Service account	82,614	11,314
Taxable income	4,707,813	5,892,031
ISR applicable to 10%	470,978	593,343

11. 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.

12. SUBSEQUENT EVENTS

On March 5, 2020, the Government of the Republic of Guatemala issued Government Decree 5-2020, which establishes the state of public calamity to respond to the public health emergency situation due to the COVID-19 pandemic, and in its article 5 the following measures are implemented: restrict the right of locomotion, limit the right of assembly, implement the plan of prevention, containment and response to the health emergency caused by COVID-19, for a period of 30 days. Based on the state of calamity, all activities were suspended as of March 17, 2020, in all companies in the national territory, except essential services (food, health services, telecommunications, water and electricity services), until March 31, establishing that it could be expanded depending on the evaluations carried out in that period by the government officials. On March 22, Government Decree Number 6-2020 was issued, which modifies article 5, subsection b.4, which limits the right of locomotion from 16:00 p.m. at 4:00 a.m. Of all the people in the national territory, this was established for the period from March 22 to 29, 2020. Likewise, on March 25, 2020, the Congress of the Republic of Guatemala extends the state of calamity, for thirty (30) more days, through Decree Number 9-2020, and this will expire on April 30, 2020; and on March 29, 2020, it was published in the Official Gazette of Central America that the Central Government extends the state of calamity until April 12, 2020, later it was extended, currently until August 5, 2020.

Due to the foregoing, all companies and organizations had to temporarily close their operations from March 17 with the period of validity of this measure until July 27, and the closing time may be extended according to the convenience of the Government of the Republic of Guatemala; During this time, there is a responsibility to pay salaries and wages of employees and collaborators, and all those monthly expenses and any other obligation contracted.



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, 2019 and 2018, as well as the corresponding Statements of Activities, Changes of Equity and Cash Flow for the years ended on those dates. 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 6, 2020.

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 years ended on December 31, 2019 and 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.

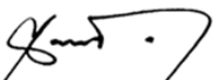
Also, we perform an assessment of compliance with legal aspects of financial accounting, established in the above-mentioned contract and other applicable laws and regulations.

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 6, 2020



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

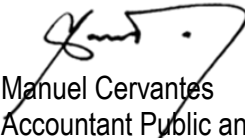
To Oversight Committee
**Fondo para la Conservación de Bosques Tropicales –
FCA and Board of Directors of Fundación para la
Conservación de los Recursos Naturales y Ambiente
en Guatemala - FCG**

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 years ended on December 31, 2019 and 2018.

This report was prepared for information to 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 6, 2020




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, 2019.

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 6, 2020

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

ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

As of December 31, 2019

Agreement	Executing organization	Title of the project	Project amount Q	Disbursements made during 2019
FCA 002-2016	HELVETAS	Conservation and development in the Western Highlands of Guatemala.	2,438,823	381,344
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	333,273
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	617,581
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	832,419
FCA 001-2019	Asociación Balam	Multi-sectoral strategic alliances among the government, community groups and civil society organizations are consolidated, for the protection, recovery and restoration of biodiversity and ecosystems in the eastern area of Laguna del Tigre National Park and its biological corridor.	2,000,000	600,000
FCA 002-2019	Wildlife Conservation Society	Governance, livelihoods and biodiversity in the Multiple Use Zone, Maya Biosphere Reserve	1,999,828	591,315
FCA 003-2019	CATIE	Conservation and sustainable management of the Acatenango volcano, Cerro Sanay and Montaña El Socó forest landscape	1,803,133	539,441
FCA 004-2019	FUNDAECO	Sustainable Management of Natural Resources and Conservation of Biodiversity, in strategic ecosystems of the Sierra de los Cuchumatanes	1,927,637	499,516
FCA 005-2019	CDRO	Rural communities manage and reduce pressure on natural resources in the Western Highlands of Guatemala	1,694,674	383,174
FCA 006-2019	ADECCAP	Strategy for the conservation and restoration of the biological corridor in the south of the Lake Atitlán basin	1,999,680	557,088
FCA 007-2019	FUNDAECO	Support for the participatory conservation of tropical forests, for the financial sustainability of the protected areas of the Caribbean of Guatemala	1,988,000	603,700
		Balance forward		5,938,851

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

ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

As of December 31, 2019

Agreement	Executing organization	Title of the project	Project amount Q	Disbursements made during 2019
		Incoming balance		5,938,851
FCA 008-2019	ACOFOP	Strategic alliances for the Conservation of the Yaloch Management Unit as a risk prevention area for the Melchor block, in the Maya Biosphere Reserve	2,000,000	600,000
FCA 009-2019	HELVETAS	Conservation for Sustainable Development in Quetzaltenango: governance, community tourism and collective action - Uk'uch Ixcanul / Corazón del Volcán-	1,630,456	345,257
FCA 010-2019	CARE de Guatemala	Conservation and restoration of native ecosystems for the maintenance of water regulation and protection of biodiversity in four municipalities of Totonicapán and Sololá	1,998,587	406,197
FCA 011-2019	CARE de Guatemala	Sustainable Management for the Conservation and Restoration of the Mesophilic Forest of the Volcanic Foot of the Mount of the Municipalities of Quetzal, La Reforma, Nuevo Progreso and El Tumbador of the department of San Marcos, in the Naranjo River basin	1,997,800	409,255
FCA 012-2019	Cooperativa Carmelita R. L.	Productive strengthening and initial management of the concession contract extension process of the Carmelita Management Unit, Maya Biosphere Reserve	2,000,000	600,000
FCA 013-2019	Sociedad Civil Laborantes del Bosque	Strengthening of local management and infrastructure, for the consolidation of the model of protection and conservation of natural and cultural resources in the Chosquitan, La Unión, Las Ventanas and San Bartolo Management Units in the North-East Zone of the Multiple Use Zone, of the Maya Biosphere Reserve	2,000,000	600,000
FCA 014-2019	ACODIHUE	Conservation of the Pinabete, (<i>Abies guatemalensis</i> Rehder) a protected, endemic and in danger of extinction species in Guatemala, through the restoration, protection and conservation of its ecosystem	1,997,369	413,567
FCA 015-2019	Asociación Vivamos Mejor	Consolidating two decades of conservation and restoration in Atitlán: the Regional Park system and the new contextualized reforestations	1,978,699	583,203
TOTAL DISBURSEMENTS FCA PROJECTS 2019				9,896,330

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

ANNEX I: DETAIL OF PROJECTS FINANCED BY FCA

As of December 31, 2019

Agreement	Executing organization	Title of the project	Project amount Q	Disbursements made during 2019
		Incoming balance		9,896,330
Small donations program PPD/FCA				
PPD/FCA 004-2016	Fundación Naturaleza para la Vida	Program to establish community participation as a fundamental axis to promote the sustained use of ecosystems / minor decentralization of the FCA through the implementation of regional subprograms of small donations to Local Base Organizations (OLB) for donations less than Q300,000	3,000,000	322,500
PPD/FCA 005-2016	ADIPO		3,000,000	322,500
PPD/FCA 001-2019	ASOPROGAL	Motagua - Polochic System Region and the Caribbean Coast	3,000,000	1,612,500
PPD/FCA 002-2019	Fundación Naturaleza para la Vida	Maya Biosphere Reserve Region (Multiple Use Zone, Sierra del Lacandón National Park and part of Laguna del Tigre National Park)	3,000,000	1,612,500
PPD/FCA 003-2019	ASOCUCH	Cuchumatanes region	3,000,000	1,612,500
PPD/FCA 004-2019	Asociación Tikonel	Volcanic Chain Region of the Western Highlands of Guatemala	3,000,000	112,500
TOTAL DISBURSEMENTS SMALLGRANTS PROGRAM DONATIONS PPD/FCA FOR THE YEAR 2019				5,595,000
TOTAL DISBURSEMENTS FOR THE YEAR 2019				15,491,330

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, specific reviews 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 were the following:

- a) Fundación Defensores de la Naturaleza
- b) HELVETAS Guatemala
- c) Wildlife Conservation Society

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, 2019 and 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, 2019 and 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.