

Forever Costa Rica Association

Financial Statements

September 30, 2016

(With corresponding figures for 2015)

(With Independent Auditors' Report Thereon)

(Translation into English of the Original
Independent Auditors' Report Issued in Spanish)



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Independent Auditors' Report

Management
Forever Costa Rica Association

We have audited the accompanying financial statements of the Forever Costa Rica Association (*Asociación Costa Rica por Siempre*), (the Association), which comprise the statement of financial position as of September 30, 2016 and the statements of income and other comprehensive income, changes in net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) 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.

Auditors' Responsibility

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

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



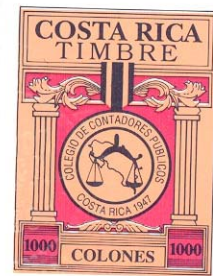
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as of September 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with IFRSs.

November 29, 2016

San José, Costa Rica
Juan Carlos Sevilla G.
Member No. 1409
Policy No. 01116-FIG-7
Expires 9/30/2017



¢1,000 tax stamp paid pursuant to Law No. 6663
and affixed to the original document

Forever Costa Rica Association
(San José, Costa Rica)

Statement of Financial Position

As of September 30, 2016
(With corresponding figures for 2015)
(In U.S. dollars)

	Note	2016			2015		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<u>Assets</u>							
Current assets:							
Cash and cash equivalents	8	US\$ 1,442,029	1,161,890	2,603,919	614,868	1,553,650	2,168,518
Investments in financial instruments	9	217,641	45,723,758	45,941,399	765,866	45,348,947	46,114,813
Accrued interest receivable	9	3,619	107,587	111,206	-	37,450	37,450
Accounts receivable	10	441,597	1,377,807	1,819,404	40,781	1,339,739	1,380,520
Funds transferred		(374,492)	374,492	-	(812,554)	812,554	-
Prepaid expenses		16,488	-	16,488	15,114	-	15,114
Total current assets		<u>1,746,882</u>	<u>48,745,534</u>	<u>50,492,416</u>	<u>624,075</u>	<u>49,092,340</u>	<u>49,716,415</u>
Furniture and equipment, net	11	38,515	-	38,515	26,852	-	26,852
Other assets	12	3,930	-	3,930	5,219	-	5,219
		US\$ <u><u>1,789,327</u></u>	<u><u>48,745,534</u></u>	<u><u>50,534,861</u></u>	<u><u>656,146</u></u>	<u><u>49,092,340</u></u>	<u><u>49,748,486</u></u>
<u>Liabilities and net assets</u>							
Current liabilities:							
Accounts payable	13	US\$ 704,977	343,710	1,048,687	347,492	1,076,125	1,423,617
Deferred income	14	731,923	-	731,923	-	-	-
Accrued expenses	15	70,138	-	70,138	123,509	-	123,509
Total current liabilities		<u>1,507,038</u>	<u>343,710</u>	<u>1,850,748</u>	<u>471,001</u>	<u>1,076,125</u>	<u>1,547,126</u>
Net assets:							
Unrealized gain on valuation of available-for-sale investments		-	6,210,275	6,210,275	-	4,853,225	4,853,225
Accrued surplus		282,289	42,191,549	42,473,838	185,145	43,162,990	43,348,135
Total net assets		<u>282,289</u>	<u>48,401,824</u>	<u>48,684,113</u>	<u>185,145</u>	<u>48,016,215</u>	<u>48,201,360</u>
		US\$ <u><u>1,789,327</u></u>	<u><u>48,745,534</u></u>	<u><u>50,534,861</u></u>	<u><u>656,146</u></u>	<u><u>49,092,340</u></u>	<u><u>49,748,486</u></u>

The notes on pages 1 to 35 are an integral part of the financial statements.

Forever Costa Rica Association

Statement of Income and Other Comprehensive Income

For the year ended September 30, 2016

(With corresponding figures for 2015)

(In U.S. dollars)

	Note	2016			2015		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
<u>Income:</u>							
Donations	17	US\$ 62,314	3,272,288	3,334,602	37,176	4,105,836	4,143,012
Interest on cash and due from banks		707	4,672	5,379	2,433	11,521	13,954
Interest on investments in financial assets		9,915	292,590	302,505	23,608	286,487	310,095
Trust management services	18	787,953	(787,953)	-	832,401	(832,401)	-
Other		126,460	170,185	296,645	29,926	27,692	57,618
Total income		987,349	2,951,782	3,939,131	925,544	3,599,135	4,524,679
<u>Expenses:</u>							
Professional services		57,763	59,585	117,348	29,844	3,869	33,713
Salaries and benefits to personnel	19	467,820	39,001	506,821	499,962	35,082	535,044
Maintenance and repairs		13,154	2,410	15,564	8,570	-	8,570
Insurance		13,124	-	13,124	12,531	-	12,531
Leases and maintenance		72,694	-	72,694	60,591	-	60,591
Supplies		10,011	1,364	11,375	8,292	25,394	33,686
Depreciation and amortization		11,710	-	11,710	16,329	-	16,329
Tools for monitoring the effectiveness of wildlife protected areas		478	3,525	4,003	-	871	871
Projects approved	20	-	1,110,000	1,110,000	-	1,503,561	1,503,561
Implementation of the Costa Rica Forever Program	21	-	459,320	459,320	-	1,218,632	1,218,632
Subscriptions		2,312	-	2,312	2,882	-	2,882
Public utilities		8,487	-	8,487	8,502	-	8,502
Program expenses	22	144,085	1,766,628	1,910,713	111,244	722,902	834,146
Debt-for-nature swap expenses		75,688	-	75,688	53,496	-	53,496
Palo Verde expenses		180	253	433	-	142,800	142,800
Finance expenses		11,755	54,683	66,438	1,060	456	1,516
Service fees		-	128,798	128,798	-	128,208	128,208
Other expenses		944	297,656	298,600	4,468	373	4,841
Total expenses		890,205	3,923,223	4,813,428	817,771	3,782,148	4,599,919
Net deficit for the year		97,144	(971,441)	(874,297)	107,773	(183,013)	(75,240)
Other comprehensive income:							
Items subsequently reclassified to profit or loss for the year							
Unrealized gain (loss) on available-for-sale investments		-	1,357,050	1,357,050	-	(1,174,814)	(1,174,814)
Other comprehensive income for the year		-	1,357,050	1,357,050	-	(1,174,814)	(1,174,814)
Total comprehensive income for the year	US\$	97,144	385,609	482,753	107,773	(1,357,827)	(1,250,054)

The notes on pages 1 to 35 are an integral part of the financial statements.

Forever Costa Rica Association

Statement of Changes in Net Assets

For the year ended September 30, 2016

(With corresponding figures for 2015)

(In U.S. dollars)

	Unrestricted		Restricted			Total net assets
	Accrued surplus	Total unrestricted	Accrued surplus	Valuation of financial instruments	Total restricted	
Net assets as of September 30, 2014	US\$ 77,372	77,372	43,346,003	6,028,039	49,374,042	49,451,414
Total comprehensive income for the year						
Unrealized loss on valuation of financial instruments	-	-	-	(1,174,814)	(1,174,814)	(1,174,814)
Net deficit for the year	107,773	107,773	(183,013)	-	(183,013)	(75,240)
Total comprehensive income for the year	107,773	107,773	(183,013)	(1,174,814)	(1,357,827)	(1,250,054)
Net assets as of September 30, 2015	185,145	185,145	43,162,990	4,853,225	48,016,215	48,201,360
Total comprehensive income for the year						
Unrealized gain on valuation of financial instruments	-	-	-	1,357,050	1,357,050	1,357,050
Net deficit for the year	97,144	97,144	(971,441)	-	(971,441)	(874,297)
Total comprehensive income for the year	97,144	97,144	(971,441)	1,357,050	385,609	482,753
Net assets as of September 30, 2016	US\$ 282,289	282,289	42,191,549	6,210,275	48,401,824	48,684,113

The notes on pages 1 to 35 are an integral part of the financial statements.

Forever Costa Rica Association

Statement of Cash Flows

For the year ended September 30, 2016

(With corresponding figures for 2015)

(In U.S. dollars)

	2016			2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
Cash flows from operating activities:						
Net deficit for the year	US\$ 97,144	(971,441)	(874,297)	107,773	(183,013)	(75,240)
Adjustments for:						
Finance income	(9,915)	(292,590)	(302,505)	(26,042)	(298,008)	(324,050)
Depreciation and amortization	11,092	-	11,092	16,019	-	16,019
Gain on disposal of fixed assets	-	-	-	(167)	-	(167)
Donation of other assets	-	-	-	-	125,300	125,300
Subtotal	98,321	(1,264,031)	(1,165,710)	97,583	(355,721)	(258,138)
Changes in:						
Accounts receivable	(400,816)	(38,068)	(438,884)	(19,722)	(1,329,533)	(1,349,255)
Funds transferred	(438,062)	438,062	-	188,223	(188,223)	-
Other assets	-	-	-	(105)	-	(105)
Prepaid expenses	(1,374)	-	(1,374)	(1,191)	-	(1,191)
Accounts payable	357,485	(732,415)	(374,930)	338,124	1,060,285	1,398,409
Deferred income	731,923	-	731,923	-	-	-
Accrued expenses	(53,371)	-	(53,371)	37,316	-	37,316
Subtotal	294,106	(1,596,452)	(1,302,346)	640,228	(813,192)	(172,964)
Interest received	6,296	222,453	228,749	26,042	260,612	286,654
Net cash from (used in) operating activities	300,402	(1,373,999)	(1,073,597)	666,270	(552,580)	113,690
Cash flows from investing activities:						
Decrease (increase) in available-for-sale investments	548,225	-	548,225	(239,243)	-	(239,243)
Decrease in available-for-sale investments	(883)	982,239	981,356	-	514,925	514,925
Additions of fixed assets	(21,948)	-	(21,948)	(4,344)	-	(4,344)
Sale of fixed assets	1,365	-	1,365	1,645	-	1,645
Net cash from investing activities	526,759	982,239	1,508,998	(241,942)	514,925	272,983
Net increase in cash and cash equivalents	827,161	(391,760)	435,401	424,328	(37,655)	386,673
Cash at beginning of year	614,868	1,553,650	2,168,518	190,540	1,591,305	1,781,845
Cash and cash equivalents at end of year	US\$ 1,442,029	1,161,890	2,603,919	614,868	1,553,650	2,168,518

The notes on pages 1 to 35 are an integral part of the financial statements.

Forever Costa Rica Association

Notes to the Financial Statements

September 30, 2016

(With corresponding figures for 2015)

(1) Reporting entity

The Forever Costa Rica Association (*Asociación Costa Rica por Siempre*) (the Association) is a not-for-profit association organized on November 2, 2009 under the law of the Republic of Costa Rica. Its purpose is to manage the public-private conservation initiative developed by the Government of Costa Rica and its associates: The Nature Conservancy (TNC), the Linden Trust for Conservation, and the Gordon and Betty Moore Foundation. The Association's main objective is to consolidate a system of marine and terrestrial protected areas that is ecologically representative, effectively managed, and supported by a stable funding source, which will allow Costa Rica to become the first developing country to achieve the goals set forth by the Programme of Work on Protected Areas (PoWPA) under the United Nations Convention on Biological Diversity (UN CBD).

The registered address of the Association is San José, Sabana Norte, Edificio Torre Sabana, piso 5.

Fund Management Trust

The Forever Costa Rica Irrevocable Trust (the Irrevocable Trust) was created on July 27, 2010 by the Linden Trust for Conservation (Trustor), an entity organized and existing under the laws of the United States of America; TNC (Trustor), an entity organized and existing under the laws of the Republic of Costa Rica; and the Forever Costa Rica Association (Trustee), an entity organized and existing under the laws of the Republic of Costa Rica. The objective of this Irrevocable Trust is to finance the system of marine and terrestrial protected areas system of Costa Rica. As established in the Execution and Monitoring Plan, the purpose is that Costa Rica achieves the goals set forth by the PoWPA under the UN CBD, through the consolidation of a terrestrial, marine, and freshwater protected areas system that is ecologically representative, resilient to global climate change, efficiently managed, and financially stable over the long term.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

The trust funds include contributions from the founders of the trust (trustors) and other trustors and interest or returns generated from the aforementioned funds. The trust funds will be held in custody and managed by the Trustee and may not be used for purposes other than that set forth in the Irrevocable Trust.

The Trustee should allocate the trust funds, separately and independently, to an Endowment Fund, which will provide funding to defray the recurring expenses of the protected areas; and to an Amortization Fund, which will provide funding to defray the initial expenses of the project.

Second Debt-for-nature Swap Trust

The Second Debt-for-nature Swap Trust (the Swap Trust) is an agreement whereby a portion of the foreign debt of Costa Rica (a developing country) with the United States is forgiven in exchange for the creation of a fund to finance projects for the conservation of tropical forests.

The Swap Trust was subscribed in 2010 with the purpose of financing the consolidation of the protected wildlife areas of the National System of Conservation Areas (*Sistema Nacional de Áreas de Conservación*, SINAC), which are a priority in the Forever Costa Rica Program, pursuant to the commitments assumed by the Government of Costa Rica with the UN CBD.

“Save Palo Verde” Project

The “Save Palo Verde” campaign is a fund-raising effort of Televisora de Costa Rica and the Association. Its main purpose is to contribute to the recovery and conservation of the Palo Verde International Wetland, through the donation of machinery required to control and eradicate the main threats to this ecosystem.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

“PACÍFICO” Project

PACÍFICO is a permanent platform that raises effective financing and funds for the comprehensive management of the marine coastal ecosystems of the Tropical Eastern Central Pacific Region. This initiative’s conservation plan comprises five islands, i.e. Coiba (Panama), Cocos (Costa Rica), Galápagos (Ecuador), Malpelo (Colombia), and Gorgona (Colombia). Five environmental funds from four countries comprise the initiative, which the Association currently presides. PACÍFICO currently receives support from the donors Gordon and Betty Moore Foundation, Walton Family Foundation, and Packard Foundation.

“National Maritime Control and Surveillance Strategy” Project

The project’s purpose is to provide Costa Rica with a control and surveillance system that allows real-time monitoring of 100% of its maritime territory. This strategy is a governmental initiative technically and financially supported by the Association and Conservation International (CI). This initiative includes the installation of 13 radars in different sites along Costa Rica’s Pacific and Caribbean coasts, with the first radar being installed in Cocos Island National Park, since it is one of the areas most vulnerable to illegal fishing, drug trafficking, etc. This initiative receives financial support from the donors Oceans Five (through CI), CI, Linden Foundation for Conservation, and Gordon and Betty Moore Foundation.

Meeting of the Latin American and Caribbean Network of Environmental Funds (RedLAC)

RedLAC is a knowledge, learning, strengthening, training, and cooperation community formed by Latin American and Caribbean environmental funds, aimed at biodiversity conservation and sustainable use and finance innovation for conservation in the region. The Association hosted the XV RedLAC Annual Meeting, which takes place every year in one of the network’s 23 member countries. This initiative received financial support from the donors J.P. Morgan, Walmart Costa Rica, Gordon and Betty Moore Foundation, MacArthur Foundation, Inter-American Development Bank, Nature Conservation Foundation (NCF), and CI.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Marine and Coastal Biodiversity in Costa Rica and Adaptation to Climate Change (BIOMARCC - GIZ) Project

The project's purpose was to finance three management plans corresponding to the Manuel Antonio and Cahuita National Parks and the Seamounts Marine Protected Area, based on criteria established in the official guide of SINAC's management plan. This initiative received financial support from the Governmental Agency of the Federal Republic of Germany, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, located in Eschborn.

All Aboard (Todos a Bordo) Campaign

The purpose of the "All Aboard" (*Todos a Bordo*) campaign is to donate to the Cocos Island Marine Conservation Area (*Área de Conservación Marina Isla del Coco*, ACMIC) a boat that will allow strengthening the control and surveillance program on the 12 nautical miles of the Cocos Island National Park (*Parque Nacional Isla del Coco*, PNIC). The campaign is sponsored by the Association and Friends of Cocos Island Foundation (*Fundación Amigos de la Isla del Coco*) with the support of Teletica, Kölbi, and La Nación. The goal is US\$200,000, which allows for the acquisition of the boat and part of the maintenance.

The Association recognizes as "Restricted funds" in its financial statements all funds received from donors that have a restriction on their use as per the agreements signed.

(2) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements were authorized for issue by the Executive Direction on November 29, 2016.

Details of the Association's accounting policies are included in note 6.

(3) Basis of measurement

The financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets and financial assets at fair value through profit or loss, which are measured at fair value.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(4) Functional and presentation currency

These financial statements and notes thereto are presented in U.S. dollars, legal tender of the United States of America, which is the Association's functional currency.

(5) Use of judgments and estimates

In preparing these financial statements in conformity with IFRSs, the Association has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(a) Assumptions and estimation uncertainties(i) Measurement of fair values

A number of the Association's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Association has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The Association regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Association's management.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

When measuring the fair value of an asset or a liability, management uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, based on the inputs used in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Association recognizes transfers between levels of the fair value hierarchy at the end of the reporting period.

Further information about the assumptions made in measuring fair values is included in Note 23 *Financial instruments - fair value and risk management*.

(6) Significant accounting policies

The Association has consistently applied the following accounting policies to the periods presented in these financial statements.

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Association at the exchange rates at the dates of the transactions.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

Gains or losses on foreign currency differences arising on translation are recognized in the statement of income and other comprehensive income.

(b) Financial instruments

The Association classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets, held-for-trading financial assets, and accounts receivable.

The Association classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities - Recognition and derecognition

The Association initially recognizes receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Association derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Association is recognized as a separate asset or liability.

The Association derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Association has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – Measurement

Cash and cash equivalents

The Association considers as cash and cash equivalents cash on hand and in banks and other highly-liquid investments with original maturities at the acquisition date of three months or less, which are easily convertible into cash and have a low risk of changes in value.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in the statement of income and other comprehensive income as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in the statement of income and other comprehensive income.

Available-for-sale financial assets

These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognized, the gain or loss accumulated in net assets is reclassified to the statement of income and other comprehensive income.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Held-to-maturity financial assets

These are non-derivative assets with fixed or determined payments and defined maturities, which are classified as such when the Association has the intention and ability to hold them to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Accounts receivable

Accounts receivable are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

(iii) Non-derivative financial liabilities – Measurement

Financial liabilities correspond to accounts payable. Such financial liabilities are recognized initially at fair value, less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

*(c) Furniture and equipment**(i) Recognition and measurement*

Furniture and equipment is measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of furniture and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Association.

(iii) Depreciation

The historical cost of furniture and equipment is depreciated on a straight-line basis over the estimated useful lives of the respective assets.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

The depreciation percentages used are based on the following estimated useful lives:

Computer hardware	5 years
Office furniture	10 years
Vehicles	10 years

(d) Software(i) Recognition and measurement

Costs incurred by the Association to acquire licenses and implement software for internal use are capitalizable under “Other assets”.

Those costs are amortized over a maximum of five years from the date of beginning of operations.

(e) Impairment(i) Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Association on terms that the Association would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for an instrument; and
- observable data indicating that there is measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity instrument, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Financial assets measured at amortized cost

The Association considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Association uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Association considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognized through other comprehensive income.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(f) Accounts payable

Accounts payable are recorded at fair value on the date of acceptance or contracting of the liability.

(g) Employee benefits(i) Severance benefits - termination of employment

Costa Rican legislation requires the payment of severance benefits to employees dismissed without just cause, equivalent to approximately 22 days' salary for each year of continuous service, up to a maximum of eight years.

On a monthly basis, the Association recognizes an expense for severance benefits for an amount equivalent to 8.33% of monthly employee salaries paid, of which 3% is booked as an expense and transferred to a supplemental pension fund, pursuant to the Employee Protection Law. The remaining 5.33% is recognized as an expense only when the Association is demonstrably committed to terminate employment, without the possibility of resignation.

(ii) Short-term employee benefitsStatutory Christmas bonus

Costa Rican legislation requires the payment of one-twelfth of an employee's monthly salary for each month of service. That payment is made to the employee in December, even in the case of dismissal. In the case of dismissals or resignations that occur prior to December, the employee is entitled to a bonus that is proportional to the amount of time worked during the year.

Each month, the Association books an accrual to cover future statutory Christmas bonus disbursements.

Vacation

Costa Rican legislation entitles employees to a given number of vacation days for each year of service. The Association follows the policy of accruing vacation days based on an analysis made by the Association. The Association has established an accrual for payment of vacation benefits to its employees.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(h) Income from donations

The Association's main income primarily corresponds to donations from trustors, i.e. the Linden Trust for Conservation and TNC, as well as other donors for specific programs. Donations are booked when received or when there is a contractual obligation with the donors.

(i) LeasesLease payments

Payments made under operating leases are recognized in the statement of income and other comprehensive income on a straight-line basis over the term of the lease.

Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(j) Recognition of costs and expenses

Expenses are recognized in the statement of income and other comprehensive income when incurred, i.e. on the accrual basis.

(k) Finance income and finance costs

Finance income corresponds to interest income on funds invested (including available-for-sale financial assets) and fair value gains on financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise fair value losses on financial assets at fair value through profit or loss.

(l) Income tax

The Association is an entity for public purposes exempt from income tax payments.

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Forever Costa Rica Association

Notes to the Financial Statements

(7) New standards and interpretations not yet adopted

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these financial statements. The Association intends to adopt these standards and interpretations, if applicable to its activities, when they become effective. Those which may be relevant to the Association are set out below. The Association does not plan to adopt these standards early.

<u>New or amended standards</u>	<u>Summary of the requirements</u>	<u>Possible impact on the financial statements</u>
IFRS 9 <i>Financial Instruments</i>	<p>IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements.</p> <p>It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.</p> <p>IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.</p>	<p>The Association is assessing the potential impact on its financial statements resulting from the application of IFRS 9.</p>
IFRS 15 <i>Revenue from Contracts with Customers</i>	<p>IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 <i>Revenue</i>, IAS 11 <i>Construction Contracts</i> and IFRIC 13 <i>Customer Loyalty Programmes</i>.</p> <p>IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.</p>	<p>The Association is assessing the potential impact on its financial statements resulting from the application of IFRS 15.</p>

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Forever Costa Rica Association

Notes to the Financial Statements

(8) Cash and cash equivalents

Cash in banks includes funds held in separate bank accounts for restricted use. Restricted funds may only be used to cover disbursements for agreements or contracts subscribed by the Association with international organizations and institutions (donors).

Cash and cash equivalents is as follows:

		<u>September 30, 2016</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Petty cash	US\$	275	-
Public financial entities		326,862	78,007
Private financial entities		90,149	913,883
Investments in financial instruments		1,024,743	170,000
	US\$	<u>1,442,029</u>	<u>1,161,890</u>
		<u>September 30, 2015</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Petty cash	US\$	284	-
Public financial entities		25,222	209,076
Private financial entities		589,362	746,181
Foreign financial entities		-	598,393
	US\$	<u>614,868</u>	<u>1,553,650</u>

Investments in financial instruments correspond to certificates of deposit with maturities of three months.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(9) Investments in financial instruments

Investments in financial instruments are as follows:

		<u>September 30, 2016</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
<i>Available-for-sale</i>			
Investments in foreign financial entities	US\$	-	42,013,069
Subtotal		-	42,013,069
<i>At fair value through profit or loss</i>			
Investment fund in private bank		35,328	359,879
Investment fund in State-owned bank		1,402	-
Subtotal		36,730	359,879
<i>Held-to-maturity</i>			
Investments in private banks		180,911	3,350,810
Subtotal		180,911	3,350,810
Total investments		217,641	45,723,758
Accrued interest receivable		3,619	107,587
Total investments	US\$	<u>221,260</u>	<u>45,831,345</u>
		<u>September 30, 2015</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
<i>Available-for-sale</i>			
Investments in foreign financial entities	US\$	-	42,251,732
Investments in private banks		-	955,909
Subtotal		-	43,207,641
<i>At fair value through profit or loss</i>			
Investment fund in private bank		232,347	795,971
Investment fund in State-owned bank		352,608	-
Subtotal		584,955	795,971
<i>Held-to-maturity</i>			
Investments in private banks		180,911	1,345,335
Subtotal		180,911	1,345,335
Total investments		765,866	45,348,947
Interest receivable		-	37,450
	US\$	<u>765,866</u>	<u>45,386,397</u>

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(10) Accounts receivable

Accounts receivable are as follows:

		<u>September 30, 2016</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Programs	US\$	441,570	645,878
Employees		27	6
Irrevocable Trust		-	565,423
Swap Trust		-	166,500
	US\$	<u>441,597</u>	<u>1,377,807</u>
		<u>September 30, 2015</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Programs	US\$	39,182	1,339,734
Employees		1,599	5
	US\$	<u>40,781</u>	<u>1,339,739</u>

(11) Furniture and equipment

Furniture and equipment is as follows:

		<u>September 30, 2016</u>			
		<u>Furniture and equipment</u>	<u>Computer hardware</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost:</u>					
Balance at September 30, 2015	US\$	26,039	39,343	-	65,382
Additions		2,264	4,344	15,340	21,948
Disposals		-	(1,365)	-	(1,365)
Balance at September 30, 2016		<u>28,303</u>	<u>42,322</u>	<u>15,340</u>	<u>85,965</u>
<u>Accumulated depreciation:</u>					
Balance at September 30, 2015		11,424	27,106	-	38,530
Depreciation expense for the year		2,589	6,305	1,391	10,285
Disposals		-	(1,365)	-	(1,365)
Balance at September 30, 2016		<u>14,013</u>	<u>32,046</u>	<u>1,391</u>	<u>47,450</u>
Net balance at September 30, 2016	US\$	<u>14,290</u>	<u>10,276</u>	<u>13,949</u>	<u>38,515</u>

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

As of September 30, furniture and equipment and leasehold improvements are as follows:

		<u>September 30, 2015</u>			
		<u>Furniture and equipment</u>	<u>Computer hardware:</u>	<u>Leasehold improvements:</u>	<u>Total</u>
<u>Cost:</u>					
Balance at September 30, 2014	US\$	26,039	40,357	26,924	93,320
Additions		-	4,344	-	4,344
Disposals		-	(5,358)	-	(5,358)
Balance at September 30, 2015		<u>26,039</u>	<u>39,343</u>	<u>26,924</u>	<u>92,306</u>
<u>Accumulated depreciation:</u>					
Balance at September 30, 2014		8,927	23,095	26,575	58,597
Depreciation expense for the year		2,497	7,891	349	10,737
Disposals		-	(3,880)	-	(3,880)
Balance at September 30, 2015		<u>11,424</u>	<u>27,106</u>	<u>26,924</u>	<u>65,454</u>
Net balance at September 30, 2015	US\$	<u><u>14,615</u></u>	<u><u>12,237</u></u>	<u><u>-</u></u>	<u><u>26,852</u></u>

(12) Other assets

Other assets are as follows:

		<u>September 30,</u>	
		<u>2016</u>	<u>2015</u>
Guarantee deposits	US\$	3,930	4,413
Intangible assets, net		-	806
	US\$	<u><u>3,930</u></u>	<u><u>5,219</u></u>

Movement in intangible assets is as follows:

		<u>September 30,</u>	
		<u>2016</u>	<u>2015</u>
<u>Cost:</u>			
Balance at September 30, 2015	US\$	19,202	19,202
Acquisitions		-	-
Balance at September 30, 2016		<u>19,202</u>	<u>19,202</u>
<u>Accumulated amortization:</u>			
Balance at September 30, 2015		18,396	13,114
Amortization expense for the year		806	5,282
Balance at September 30, 2016		<u>19,202</u>	<u>18,396</u>
Net balance at September 30, 2016	US\$	<u><u>-</u></u>	<u><u>806</u></u>

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(13) Accounts payable

Accounts payable are as follows:

		<u>September 30, 2016</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Programs	US\$	653,892	343,710
Suppliers		51,085	-
	US\$	<u>704,977</u>	<u>343,710</u>
		<u>September 30, 2015</u>	
		<u>Unrestricted</u>	<u>Restricted</u>
Programs	US\$	302,769	1,076,125
Suppliers		44,723	-
	US\$	<u>347,492</u>	<u>1,076,125</u>

(14) Deferred income

Deferred income is as follows:

		<u>September 30,</u>	
		<u>2016</u>	<u>2015</u>
Irrevocable Trust	US\$	565,423	-
Second Swap Trust		166,500	-
	US\$	<u>731,923</u>	<u>-</u>

Deferred income corresponds to the budget approved and received by the Irrevocable Trust and the Second Debt-for-Nature Swap Trust to cover operating expenses and program expenses to be generated in the following period.

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(15) Accrued expenses

Accrued expenses are as follows:

		<u>September 30,</u>	
		<u>2016</u>	<u>2015</u>
Salaries payable	US\$	3,160	-
Withholdings payable		24,205	21,562
Bonuses payable		-	31,759
Income tax - employees		8,088	9,311
Accrued vacation		7,924	12,498
Accrued statutory Christmas bonus		18,567	27,459
Advance notice and severance benefits		8,194	20,920
	US\$	<u>70,138</u>	<u>123,509</u>

(16) Operating leases

The Association has an operating lease on the administrative offices where it performs its operations. The term of the lease is three years, with an option to renew upon agreement by both parties. The monthly lease payment amounts to US\$3,780 for 2016 (2015: US\$4,262), which will be adjusted 3% annually.

Future minimum lease payments

Future minimum lease payments are as follows:

		<u>September 30,</u>	
		<u>2016</u>	<u>2015</u>
Less than 1 year	US\$	53,569	50,028
Between 1 and 3 years		160,708	150,085
	US\$	<u>214,277</u>	<u>200,113</u>

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Forever Costa Rica Association

Notes to the Financial Statements

(17) Income from donations

The trust funds (donations) are comprised of contributions made by trustors (TNC), contributions made for the projects approved by the Swap Trust, and contributions made by other donors for execution and completion of projects, as follows:

		For the year ended September 30, 2016	
		<u>Unrestricted</u>	<u>Restricted</u>
Amortization fund	US\$	-	979,725
All Aboard campaign		-	1,506
Forever Costa Rica Association		<u>62,314</u>	<u>2,291,057</u>
	US\$	<u>62,314</u>	<u>3,272,288</u>
		For the year ended September 30, 2015	
		<u>Unrestricted</u>	<u>Restricted</u>
Amortization fund	US\$	-	979,725
All Aboard campaign		-	219,310
Forever Costa Rica Association		<u>37,176</u>	<u>2,906,801</u>
	US\$	<u>37,176</u>	<u>4,105,836</u>

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Income from donations is as follows:

	US\$	For the year ended September 30,	
		2016	2015
Gordon and Betty Moore Foundation	US\$	-	62,064
Conservation International Foundation - Pacific		71,162	50,000
Hemsley – Pacific		600,600	-
Central Bank of Costa Rica (BCCR) (execution of Debt Swap Projects)		1,110,000	1,503,561
The Nature Conservancy (TNC)		46,974	37,176
Forever Costa Rica Irrevocable Trust		459,320	1,218,632
The David & Lucile Packard Foundation		-	72,542
Hard Rock activity (All Aboard campaign)		-	971
Coopeservidores (All Aboard campaign)		-	10,523
Coopeservidores (collection boxes)		-	1,134
CR Cupón (All Aboard campaign)		-	82
Farmacia Santa Lucía (All Aboard campaign)		-	92
Globeleq Mesoamérica (All Aboard campaign)		-	1,000
Hotel Beds (All Aboard campaign)		-	100
Indiegogo (All Aboard campaign)		-	350
Kölbi (All Aboard campaign)		1,506	95,130
Cuatro Vías (All Aboard campaign)		-	270
Individual (All Aboard campaign)		-	340
Provira (All Aboard campaign)		-	498
Purdy Motor (All Aboard campaign)		-	10,000
Servimás (All Aboard campaign)		-	669
Swiss Travel (All Aboard campaign)		-	3,000
Faico (All Aboard campaign)		-	90,185
JP Morgan (All Aboard campaign)		-	4,968
FUNBIO (k-Redlac)		49,975	-
Suzuki - ACRXS Vehicle		15,340	-
	US\$	<u>2,354,877</u>	<u>3,163,287</u>

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Forever Costa Rica Association

Notes to the Financial Statements

(18) Trust management services

As of September 30, 2016, the Irrevocable Trust and Swap Trust made “Budget support” payments to the Association for US\$548,953 and US\$225,000, respectively (2015: US\$532,965 and US\$261,505, respectively).

The Irrevocable Trust determined the amount payable to the Association in clause 20 “Trustee Fees” of the “Fund Management Irrevocable Trust Agreement” subscribed by the Linden Trust for Conservation and the Association.

The Swap Trust determined the amount payable to the Association in the “Annual Budget”, which was approved by the Association’s “Oversight Committee”.

Overhead, corresponding to professional fees for donation agreement management services is as follows:

	For the year ended September 30,	
	2016	2015
The Nature Conservancy “Support to Regional, National, and Local Governments in the Strengthening of Control Measures for Fishing Activities”	US\$ -	24,907
Pacific Moore “Gordon and Betty Moore Foundation”	-	3,562
Pacific Packard “The David & Lucile Packard Foundation”	-	9,462
Hemsley Pacific	14,000	-
	US\$ <u>14,000</u>	<u>37,931</u>

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

(19) Personnel salaries and benefits

Salaries and benefits to administrative personnel are as follows:

		For the year ended September 30,	
		2016	2015
Salaries	US\$	328,702	340,537
Social security taxes		84,594	89,527
Statutory Christmas bonus		26,774	31,874
Other personnel expenses		66,751	73,106
	US\$	<u>506,821</u>	<u>535,044</u>

(20) Approved projects

The Technical Committee identifies the projects pending approval in connection with conservation areas, identifies the projects that must be declared as void or canceled, and establishes the budget to which the funds will be allocated. Subsequently, the Oversight Committee approves the corresponding disbursements in the meetings held during the year.

As of September 30, 2016, the Oversight Committee held the VII meeting for Trust project approval, in the amount of US\$1,110,000.

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Forever Costa Rica Association

Notes to the Financial Statements

As of September 30, 2016, the projects approved in the VII Meeting are as follows:

Donation agreement	Entity	2016
Conditioning and improvement of trails at Volcán Tenorio National Park	Pending assignment	US\$ 30,000
Specific plans for delimitation of Lomas de Barbudal Biological Reserve, Volcán Tenorio National Park, Palo Verde National Park and Cipancí National Wildlife Refuge	Pending assignment	50,000
Design and construction of the pier at Cipancí National Wildlife Refuge	Pending assignment	45,000
Strengthening of the environmental education program of the protected wildlife areas of the Área de Conservación Cordillera Volcánica Central (ACCV, Central Volcanic Mountain Range Conservation Area)	Pending assignment	50,000
Land surveying and generation of cadastral plans for areas classified as national reserves (empty lots) at Volcán Poás, Volcán Irazú and Volcán Turrialba National Parks	Pending assignment	50,000
Conditioning of the parking area of Braulio Carrillo National Park, Volcán Barva sector (Phase II)	Pending assignment	50,000
Design and construction of the camping area, parking lot, restrooms and wastewater system at Bahía Junquillal National Wildlife Refuge	Pending assignment	65,000
Specific plan for solid waste management and wastewater treatment at Área de Conservación Guanacaste (ACG, Guanacaste Conservation Area: Guanacaste National Park, Rincón de la Vieja National Park, Bahía Junquillal National Wildlife Refuge and Santa Rosa National Park)	Pending assignment	25,000
Strategy to strengthen participation in the La Amistad Caribe World Heritage Site	Pending assignment	90,000
Strategy to organize the records and cadastral maps of La Amistad International Park (Pacific sector) and Chirripó National Park	Pending assignment	75,000
Specific plan for solid waste management and wastewater treatment at La Amistad International Park, Chirripó National Park and Tapantí Macizo de la Muerte National Park	Pending assignment	15,000
Specific plan for delimitation of Cerro Vueltas Biological Reserve, implementation of that plan and of the plan for Carara National Park and Fernando Castro Cervantes National Wildlife Refuge	Pending assignment	30,000
	Carried forward	US\$ 575,000

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Donation agreement	Entity	2016
	Brought forward	US\$ 575,000
Update of the La Cangreja National Park management plan	Pending assignment	15,000
Specific plan for solid waste management and wastewater treatment at Carara National Park and Cerros de Escazú Protected Area, and preparation of the participation strategy of the Cerros de Escazú Protected Area	Pending assignment	40,000
Specific plan for infrastructure, maintenance, and design and construction of prioritized works of the Los Quetzales National Parks	Pending assignment	35,000
Implementation of the Osa Conservation Area (ACOSA) Communication Strategy and preparation of the Golfo Dulce Forest Reserve Communication Plan	Pending assignment	30,000
Stage III of the ecological intervention project at Mata Redonda and Corral de Piedra	Pending assignment	20,000
Specific infrastructure plans of Iguanita National Wildlife Refuge, Nicolás Wessberg Absolute National Reserve, and the design and construction of priority works in these Protected Wildlife Areas and Diríá National Park and Mata Redonda National Wildlife Refuge	Pending assignment	85,000
Implementation of the Communication Strategy of the Tempisque Conservation Area (ACT), with emphasis on posts and signs at Diríá National Park, Mata Redonda National Wildlife Refuge, Corral de Piedra Wetland, Barra Honda National Park and Cipancí National Wildlife Refuge	Pending assignment	15,000
Implementation of plans for control and protection of ACT (specialized equipment, technology)	Pending assignment	30,000
Specific plans for solid waste management and wastewater treatment of Nicolás Wessberg Absolute National Reserve, Iguanita National Wildlife Refuge and Diríá National Park, and implementation of priority actions at Mata Redonda National Wildlife Refuge, Corral de Piedra Wetland, Cipancí National Wildlife Refuge and Barra Honda National Park	Pending assignment	25,000
Implementation of the environmental education plans of ACT	Pending assignment	20,000
Specific plan for solid waste management and wastewater treatment of the Barra del Colorado National Wildlife Refuge and implementation of priority actions	Pending assignment	30,000
	Carried forward	US\$ 920,000

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

Donation agreement	Entity	2016
	Brought forward	US\$ <u>920,000</u>
Specific plans for maintenance of infrastructure and works of the Volcán Arenal National Park, Juan Castro Blanco National Park and Caño Negro National Wildlife Refuge, and design and construction of priority actions	Pending assignment	90,000
General management plan of the El Chayote and Río Toro Protected Area	Pending assignment	25,000
General management plan of the Archie Carr National Wildlife Refuge	Pending assignment	25,000
General management plan of the La Amistad International Park	Pending assignment	50,000
		US\$ <u><u>1,110,000</u></u>

As of September 30, 2015, the Oversight Committee held meetings for Swap Trust project approval, and they approved US\$5,000 to cover printing and publishing costs for the Climate Change Induction Manual, as follows:

	2015
V Meeting	US\$ 459,781
VI Meeting	1,038,780
Climate Change Induction Manual	5,000
	US\$ <u><u>1,503,561</u></u>

As of September 30, 2015, the projects approved in the V Meeting are as follows:

Donation agreement	Entity	Amount
TDR Ecological Integrity Monitoring, Minutes No. 26-2014	Pending assignment	US\$ 394,737
Update of the National Biodiversity Strategy	National Parks Foundation	65,044
		US\$ <u><u>459,781</u></u>

(Continued)

Forever Costa Rica Association

Notes to the Financial Statements

As of September 30, 2015, the projects approved in the VI Meeting are as follows:

Donation agreement	Entity	2015
Communication and dissemination strategy for the ACLAP (<i>Área de Conservación La Amistad-Pacífico</i>) protected wildlife area	Pending assignment	US\$ 89,894
Community management strategy for Braulio Carrillo, Barva Volcano sector	Pending assignment	49,185
Solid waste management strategy for the Poás Volcano, Turrialba Volcano, Irazú Volcano and Guayabo National Monument National Parks.	Pending assignment	69,994
Phase II of Costa Rica's natural heritage consolidation plan at the Juan Castro Blanco National Park	Pending assignment	29,965
Development of an IT system to manage ACAT information (<i>Área de Conservación Arenal Tempisque</i>), with pilot project at Palo Verde	Pending assignment	37,045
Phase II of Costa Rica's natural heritage consolidation plan at the Tenorio Volcano National Park	Pending assignment	29,965
Consolidation of the resource management plan of the Cipancí National Wildlife Refuge, to incorporate conservation measures.	Pending assignment	55,516
Resource management plan of the Golfo Dulce Forest Reserve	Pending assignment	29,965
Sustainable tourism and environmental education, and implementation of three protected wildlife areas for ACOPAC (<i>Área de Conservación Pacífico Central</i>)	Pending assignment	119,859
Update of the Los Quetzales National Park management plan and preparation and implementation of the demarcation and signposting plan	Pending assignment	34,263
II phase of recovery of wetlands in the lower Tempisque river basin	Pending assignment	47,293
Water monitoring in the lower Tempisque river basin	Pending assignment	62,578
Implementation of sustainable tourism plan in trails of the ACT (<i>Área de Conservación Tempisque</i>)	Pending assignment	129,848
Implementation of a communication, promotion, and marketing strategy for protected wildlife areas	Pending assignment	86,147
	Carried forward	US\$ 871,517

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Forever Costa Rica Association

Notes to the Financial Statements

Donation agreement	Entity		2015
	Brought forward	US\$	871,517
Acquisition of specialized equipment for control and protection tasks	Pending assignment		29,965
Design and implementation of the Hitoy Cerere demarcation plan and participation strategy	Pending assignment		39,416
Infrastructure plans for the implementation of five conservation areas	Pending assignment		250,305
Knowledge management project	Pending assignment		49,940
Protocol for specific plans of infrastructure development and equipment and infrastructure maintenance and implementation at the lower Tempisque river basin	Void		(22,890)
Development and implementation of an information management system in the Palo Verde National Park	Void		(32,632)
Preparation of Costa Rica's natural heritage consolidation plan and design and implementation of the Hitoy Cerere Biological Reserve demarcation plan	Void		(26,431)
Update and implementation of the Los Quetzales National Park management plan	Void		(34,263)
Design and implementation of a communication, promotion, and marketing strategy of the protected wildlife areas of the Tempisque Conservation Area	Void		(86,147)
		US\$	1,038,780

The project "Specific infrastructure plans at the lower Tempisque river basin" for US\$22,890 was originally prepared at the III Meeting, and was subsequently voided. At the VI Meeting, a new project was incorporated, named "Infrastructure plans for management and implementation of five new conservation areas" for US\$250,305.

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Forever Costa Rica Association

Notes to the Financial Statements

The projects “Development and implementation of an information management system in the Palo Verde National Park” for US\$32,632 and “Preparation of Costa Rica’s natural heritage consolidation plan and design and implementation of the Hitoy Cerere Biological Reserve demarcation plan for US\$26,431, were voided at the IV Meeting and included in the VI Meeting with a higher budget in order to attract a greater number of proposals from eligible entities, for US\$37,045 and US\$39,416 respectively.

The projects “Update of the Los Quetzales National Park management plan and preparation and implementation of the demarcation and signposting plan” for US\$34,263 and “Design and implementation of a communication, promotion, and marketing strategy of protected wildlife areas of the Tempisque Conservation Area” for US\$86,147 were voided in the IV Meeting, and included in the VI Meeting, with no budget changes.

(21) Implementation of the Forever Costa Rica Association Program

As of September 30, 2016, the expenses for the implementation of the Forever Costa Rica Association program amount to US\$459,320 (2015: US\$1,218,632). These correspond to transfers from the Irrevocable Trust to the Association for program execution.

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Forever Costa Rica Association

Notes to the Financial Statements

(22) Program expenses

Program expenses are as follows:

		For the year ended September 30, 2016	
		Unrestricted	Restricted
Meetings of the board of directors and annual trip	US\$	5,120	-
Representation and hospitality expenses		7,865	438
Meals for meetings		4,824	304
Consulting services		60,366	318,264
Donation agreements		-	431,616
Communications		34,569	30,221
Investments to increase management effectiveness		-	3,479
National and international trips		28,107	66,904
Special events		1,668	14,240
Cocos Island Radar		1,566	893,134
Specific equipment for conservation projects		-	8,028
	US\$	<u>144,085</u>	<u>1,766,628</u>

		For the year ended September 30, 2015	
		Unrestricted	Restricted
Meetings of the board of directors and annual trip	US\$	7,675	-
Representation and hospitality expenses		5,110	816
Meals for meetings		3,940	1,907
Consulting services		27,669	121,577
Donation agreements		-	453,871
Communications		40,511	7,429
National and international trips		26,339	24,994
Special events		-	2,819
Cocos Island Radar		-	109,195
Forever Costa Rica Association program implementation		-	294
	US\$	<u>111,244</u>	<u>722,902</u>

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Forever Costa Rica Association

Notes to the Financial Statements

(23) Financial instruments, fair values and risk management(a) Accounting classifications and fair values

The following table presents the carrying amounts and fair values of the Association's financial assets and liabilities, including the fair value hierarchy levels:

		<u>September 30, 2016</u>		
		<u>Carrying amount</u>	<u>Fair value</u>	<u>Fair value hierarchy</u>
Available-for-sale	US\$	<u>40,818,326</u>	<u>40,818,326</u>	<u>Level 1</u>
At fair value through profit or loss	US\$	<u>396,609</u>	<u>396,609</u>	<u>Level 2</u>
Held-to-maturity	US\$	<u>4,726,464</u>	<u>4,726,464</u>	<u>Level 3</u>
		<u>September 30, 2015</u>		
		<u>Carrying amount</u>	<u>Fair value</u>	<u>Fair value hierarchy</u>
Available-for-sale	US\$	<u>43,207,641</u>	<u>43,207,641</u>	<u>Level 1</u>
At fair value through profit or loss	US\$	<u>1,380,926</u>	<u>1,380,926</u>	<u>Level 2</u>
Held-to-maturity	US\$	<u>1,526,246</u>	<u>1,526,246</u>	<u>Level 3</u>

Financial risk management

The Association has exposure to the following risks arising from financial instruments:

- (i) credit risk
- (ii) liquidity risk
- (iii) market risk.

Risk management framework

Management has overall responsibility for the establishment and oversight of the Association's risk management framework as well as for developing and monitoring risk management policies. Management reports regularly to the board of directors on its activities.

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Forever Costa Rica Association

Notes to the Financial Statements

Financial Management has overall responsibility for the establishment and oversight of the Association's financial risk conceptual framework as well as for the formulation of strategies for developing and monitoring risk management policies.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies are reviewed regularly to reflect changes in market conditions and the Association's activities.

The Association's Financial Manager oversees how management monitors compliance with the Association's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Association.

(i) Credit risk

Credit risk is the risk of financial loss to the Association if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from investments in financial instruments and accounts receivable.

The Association has exposure to credit risk, which is the risk that the counterparty will fail to comply with payments fully and in a timely manner. Financial assets that represent potential credit risk for the Association mainly include interest-bearing bank deposits, accounts receivable, and investments. Bank deposits are mainly placed in prestigious financial institutions.

Exposure to credit risk

The maximum exposure to credit risk is represented by the balance of each financial asset at the reporting date.

		September 30, 2016	
		Unrestricted	Restricted
Cash and cash equivalents	US\$	1,442,029	1,161,890
Investments in financial instruments		217,641	45,723,758
Accrued interest receivable		3,619	107,587
Accounts receivable		441,597	1,377,807
	US\$	<u>2,104,886</u>	<u>48,371,042</u>

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Forever Costa Rica Association

Notes to the Financial Statements

		September 30, 2015	
		Unrestricted	Restricted
Cash	US\$	614,868	1,553,650
Investments in financial instruments		765,866	45,348,947
Accrued interest receivable		-	37,450
Accounts receivable		40,781	1,339,739
	US\$	<u>1,421,515</u>	<u>48,279,786</u>

As of September 30, 2016 and 2015, credit risk related to cash is low because such balances are deposited in first-tier financial entities. The Association's investments are kept in investments funds of Banco Nacional de Costa Rica, Scotiabank and BAC Sociedad de Fondos de Inversión.

The Association's restricted investments corresponding to the trusts are performed through the international entity JP Morgan and first-tier local financial entities. Investments are as follows:

		September 30,	
		2016	2015
Fixed-income securities	US\$	19,097,429	16,125,519
Investment funds		359,879	1,751,880
Term certificates of deposit		3,350,810	1,345,335
Shares		17,130,366	16,776,841
Hedge fund		4,294,205	9,099,861
Hard assets		1,491,069	249,511
	US\$	<u>45,723,758</u>	<u>45,348,947</u>

(ii) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting its financial obligations when due. The Association's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association's management manages liquidity risk by maintaining adequate cash reserves. In addition, the Association continually monitors its cash flows, which allows a timely attention to short- and medium-term obligations.

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Forever Costa Rica Association

Notes to the Financial Statements

Currently, the Association maintains few financial obligations; accordingly, its liquidity risk is low.

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates or equity prices, will affect the Association's income or the value of its holdings of financial instruments. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Association's assets are denominated in U.S. dollars. Management considers that there is no currency risk, since the Association's assets and liabilities are denominated in U.S. dollars.

Interest rate risk

This is the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in market interest rates.

The Association is exposed to the effects of changes in market interest rates on its financial position and cash flows.